

**Original**  
**REVISED**  
**APPLICATION**

**United Regional Medical  
Center**

**CN1509-040**

1. **Name of Facility, Agency, or Institution**

United Regional Medical Center  
 Name  
 1001 McArthur Street  
 Street or Route  
 Manchester  
 City  
 TN  
 State  
 Coffee  
 County  
 37355  
 Zip Code

2. **Contact Person Available for Responses to Questions**

Ashoke Mukherji  
 Name  
 NA  
 Company Name  
 481 Interstate Drive  
 Street or Route  
 Officer of company  
 Association with Owner  
 Chairman  
 Title  
 bappa.mukherji@unitymedctr.com  
 Email address  
 TN  
 State  
 Manchester  
 City  
 615-308-8800  
 Phone Number  
 37355  
 Zip Code  
 NA  
 Fax Number

3. **Owner of the Facility, Agency or Institution**

Coffee Medical Group, LLC  
 Name  
 481 Interstate Drive  
 Street or Route  
 Manchester  
 City  
 TN  
 State  
 615-308-8800  
 Phone Number  
 Coffee  
 County  
 37355  
 Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship \_\_\_\_\_  
 B. Partnership \_\_\_\_\_  
 C. Limited Partnership \_\_\_\_\_  
 D. Corporation (For Profit) \_\_\_\_\_  
 E. Corporation (Not-for-Profit) \_\_\_\_\_  
 F. Government (State of TN or Political Subdivision) \_\_\_\_\_  
 G. Joint Venture \_\_\_\_\_  
 H. Limited Liability Company \_\_\_\_\_  
 I. Other (Specify) \_\_\_\_\_  
 LLC

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

5. **Name of Management/Operating Entity (If Applicable)**

NA  
Name \_\_\_\_\_  
Street or Route \_\_\_\_\_ County \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

- A. Ownership X D. Option to Lease \_\_\_\_\_  
B. Option to Purchase \_\_\_\_\_ E. Other (Specify) \_\_\_\_\_  
C. Lease of \_\_\_\_\_ Years \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
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7. **Type of Institution (Check as appropriate--more than one response may apply)**

- |   |   |
|---|---|
| A. Hospital (Specify) <u>General</u> <u>X</u>                               | I. Nursing Home _____                           |
| B. Ambulatory Surgical Treatment<br>Center (ASTC), Multi-Specialty _____    | J. Outpatient Diagnostic Center _____           |
| C. ASTC, Single Specialty _____   | K. Recuperation Center _____                    |
| D. Home Health Agency _____   | L. Rehabilitation Facility _____                |
| E. Hospice _____  | M. Residential Hospice _____                    |
| F. Mental Health Hospital _____   | N. Non-Residential Methadone<br>Facility _____  |
| G. Mental Health Residential<br>Treatment Facility _____                    | O. Birthing Center _____                        |
| H. Mental Retardation Institutional<br>Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility<br>(Specify) _____ |
|   | Q. Other (Specify) _____                        |

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

- |   |  |
|---|--|
| A. New Institution _____  | G. Change in Bed Complement<br>[Please note the type of change<br>by underlining the appropriate<br>response: Increase, Decrease,<br>Designation, Distribution,<br>Conversion, Relocation] |
| B. Replacement/Existing Facility _____  |  |
| C. Modification/Existing Facility _____   |  |
| D. Initiation of Health Care<br>Service as defined in TCA §<br>68-11-1607(4)<br>(Specify) _____ | H. Change of Location <u>X</u>   |
| E. Discontinuance of OB Services _____  | I. Other (Specify) _____   |
| F. Acquisition of Equipment _____   |  |

**9. Bed Complement Data**

*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed</u>	<u>Beds *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	39		24		39
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds	10		10		10
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>	<b>49</b>		<b>34</b>		<b>49</b>

\*CON-Beds approved but not yet in service

**10. Medicare Provider Number** 44-0007  
**Certification Type** General short-term

**11. Medicaid Provider Number** 44-0007  
**Certification Type** General short-term

**12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?** NA

**13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.** All



## **Section B.**

**I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

Coffee Medical Group, LLC d/b/a United Regional Medical Center and Unity Medical Center (the "Applicant"), is a Tennessee limited liability company formed on June 7, 2002 to operate a 54-bed acute care hospital and 72-bed nursing home. Applicant sold its nursing home in 2010 and acquired 100% of the stock of Coffee County Hospital Group, Inc. d/b/a Medical Center of Manchester ("MCM") on July 1, 2015. The Applicant is owned by a group of over 50 individuals, although only two individuals own five percent (5%) or more, and a limited liability company, United Regional Investors Group, LLC ("URIG"), that owns approximately forty percent (40%) of Applicant. URIG is composed of thirteen individuals that own the LLC in equal shares.

After the acquisition of MCM, which was located approximately three miles from URM, virtually all medical operations were consolidated at 481 Interstate Drive, Manchester, Tennessee, the site of MCM. Only URM's Open-MRI and PET-CT scanner (and business office) remained at 1001 McArthur Street. The Applicant now seeks a Certificate of Need to relocate the Open-MRI and PET-CT scanner to 481 Interstate Drive and to relocate the hospital itself to 481 Interstate Drive, discontinuing all medical operations at 1001 McArthur Street.

The existing medical center's service area is Coffee County as demonstrated by utilization rate by residents of Coffee County. In 2014, the U.S. Census Bureau estimate of the county's population was 53,623. Coffee County's population has continued to steadily increase over the past twenty years and this positive trend is expected to continue with the Manchester area leading the way. Coffee County has two existing hospitals, the Applicant and Harton Regional Medical Center in Tullahoma, Tennessee. In addition to general hospital inpatient services, both provide imaging, surgery and emergency room services. Several non-hospital based imaging and outpatient surgery programs are also available in Coffee County.

The estimated project cost is \$250,000. The project involves no changes in staffing as the Applicant would relocate the staff along with the equipment. The project will be financed by a commercial loan. The relocation will immediately have a positive effect on net income as it will be more efficient to operate out of one facility.

**II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, Applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support area affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

**If the project involves none of the above, describe the development of the proposal.**

The Open-MRI that Applicant seeks to relocate is currently housed in its own modular building that sits adjacent to the UPMC hospital. Applicant intends to move the modular building to 481 Interstate Drive and place it immediately behind the hospital on a new concrete pad (see diagram attached as Attachment B.II.A). Patients would access the modular building by exiting the hospital (under a canopy) and entering the modular building. The relocation of the Open-MRI will cause no temporary or permanent disruption on existing hospital operations.

The Applicant intends to relocate the PET-CT scanner into an area of the hospital that currently houses medical records. Medical records will be relocated into a separate modular building behind the hospital (see diagram attached as Attachment B.II.A). This relocation requires a minimum of construction, with only a control room needing to be constructed and no demolition required. The costs of the project are minimal since the Applicant already owns the equipment being relocated.

- B. Identify the number and type of beds, increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact and bed changed will have on the existing services.**

There will no changes in beds as a result of this application.

**C.-E. Omitted since the project is neither a hospital project nor facility project.**

**III. (A) Attach a copy of the plot plan of the site on an 8 ½" x 11" sheet of white paper which must include:**

- 1. Size of site (in acres);**
- 2. Location of structure on the site; and**
- 3. Location of the proposed construction.**
- 4. Names of streets, roads or highway that cross or border the site.**

**Please note that the drawing do not need to be drawn to scale. Plot plans are required for all projects.**

**Please see attached plot plan Attachment B.II.A.**

**(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

There is currently no public transportation available in the community. The site has direct access to Interstate Drive which has easy access to Exits 110 and 111 on I-24. Please see plot plans for further details.

**IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.**

**NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.**

**See Attachment B.IV.**

**V. For a Home Health Agency or Hospice, identify:**

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

NA

**SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

**QUESTIONS**

**NEED**

**1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.**

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

The Applicant is simply attempting to consolidate all medical operations in one location in order to deliver medical care more conveniently for patients and more efficiency by eliminating the overhead of maintaining two facilities. The Applicant is already licensed to perform the diagnostic testing functions and has been providing those services to the community for a number of years.

- b. Applications that include a Change of Site for a health care institution provide a response to General Criterion and Standards (4)(a-c).**

Please see information above for (a) Need and information below for (b) Economic Factors and the (c) Contribution to the orderly development of health care facilities and/or service.

**2. Describe the relationship of this project to the Applicant facility's long-range development plans, if any.**

The Applicant's long-range development plan is to consolidate all medical operations at or around 481 Interstate Drive and operate the facility for a period of time to improve its balance sheet. Applicant will sell the 1001 McArthur Street campus for redevelopment. Thereafter, the

Applicant will look to expand operations. This request is a necessary component to the Applicant's long-range plan.

**3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 ½" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlights, pencils, etc.).**

The medical center's service area is Coffee County as demonstrated by the over 80% utilization rate by residents of Coffee County. These residents reside primarily in zip codes 37355, 37348 and 37342. See Attachment C.Need.3.

**4. A. Describe the demographics of the population to be served by this proposal.**

Please see attached US Census Bureau information attached for Manchester, TN as Attachment C.Need.4.A.

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

The Applicant does not and will not discriminate on the basis of age, sex, race or ethnicity. The Applicant has a current experience of significant revenues from Medicare and TennCare, so the elderly and low-income groups will be particularly well served.

**5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

Applicant does not believe that this is applicable since it is simply proposing to relocate existing services to another of its campuses and discontinue use of the abandoned campus. Utilization statistics are provided elsewhere in this application.

**6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of this project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

See the Historical Data Chart and the Projected Data Chart. The Applicant conducted 1,566 Open-MRI's in 2014 and 91 PET-CT's in 2014.

## **ECONOMIC FEASIBILITY**

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

Please see the Project Costs Chart attached.

- 2. Identify the funding sources for this project.**

**A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan and any restrictions or conditions.**

- 3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot or construction to similar projects recently approved by the Health Services and Development Agency.**

The total cost of the project is relatively minimal because the Applicant currently owns both pieces of equipment to be moved. In relation to relocating the license, the Applicant has already moved everything to function at 481 Interstate Drive except the two pieces of diagnostic equipment that it is seeking to move with this application.

- 4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

Please see attached Historical and Projected Data Charts.

- 5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

The average gross charge for an MRI was \$1,690.35, the average deduction from operating revenue was \$1,267.76 and the average net charge was \$422.59. The average gross charge for a PET-CT scan was \$2,555.60, the average deduction from operating revenue was \$1,329.60 and the average net charge was \$1,226.00.

- 6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

The charge schedules are those that exist for the services at the hospital at the present time which were detailed in Paragraph 5 immediately above. Adjustments to current charges with the exception of "cost-of-living" adjustments are not anticipated.

**B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

Not applicable because Applicant is not proposing a new charge schedule; however, Applicant's charges are lower than those of Harton Regional Medical Center, the next closest hospital to Applicant.

- 7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

Applicant has maintained these services for several years and anticipates higher utilization due to the consolidation of the two facilities.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The Applicant has included all costs associated with the project and has acquired supportive financing. Pro formas and valuations have established the ability of the Applicant to manage this financial obligation.

- 9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of**

**TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

The Applicant currently participates in Medicare, TennCare and provides charity care to the community's indigent population. The Applicant will continue to serve this population in the same manner only with greater operational efficiencies and greater convenience to the patients. Applicant's revenues are approximately 45% from Medicare and 15% from TennCare.

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Please see attached financial statements labeled Attachment C, Economic Feasibility-10.

- 11. Describe all alternatives to this project which were considered and discussed the advantages and disadvantages of each alternative including but not limited to:**

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The Applicant knows of no less costly, more effective and/or more efficient alternative method than moving currently owned equipment. The only other alternative is leaving the equipment in place and not relocating the Applicant's license. However, that alternative requires duplicative staffing and maintaining much higher overhead.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

There is no superior alternative that what is contained in this Application.

#### **CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**



The Applicant currently maintains managed care and other services agreements with the following insurers:

Blue Cross Blue Shield (Commercial and TennCare)  
HealthSpring  
GEHA  
PHP TennCare  
Signature Health Alliance  
AmeriChoice  
Medicare  
America's Health Plan  
Healthwise of Tennessee  
Hospice of Highland Rim  
Multiplan  
William C. Beeler

Cigna  
Great West Life  
John Deere TennCare  
Private HealthCare Systems  
TriCare  
Ameri Group  
United Payors and Providers  
Direct Care America  
Health Payors Org.  
MedView Services  
PPO Next  
Assercare Hospice

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

The proposal will have virtually no effects on the health care system. The services are already offered and will continued to be offered, only in a more convenient location. Due to the added convenience, there may be slightly higher utilization rates.

- 3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

The Applicant currently maintains one full time and one part time radiology technician to provide the services. The Applicant also maintains one full time maintenance person to take care of the facility. The Applicant currently and shall continue into the future to pay wages to its patient care givers that are consistent with the prevailing wages offered like employees in its service area.

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

The Applicant has adequate and qualified staff employed to deliver on its mission of providing high quality care and as may be required for continued licensure by the

Department of Health and the Applicant does not believe its recruiting efforts are enhanced or impaired to any greater degree than any other similar facility in its service area.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The Applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff including all regulations mentioned above.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

Not applicable.

7. **(a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The Applicant verifies that it understands the requirement for its licensure promulgated by the Tennessee Dept. of Health, as well as the requirements of and compliance with the Conditions of Participation of Medicare promulgated by the Centers for Medicare & Medicaid Services.

**(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:** The Applicant is licensed by the Tennessee Dept. of Health. A copy of the current license is attached as Attachment C.Contribution 7(b).

**Accreditation:** The Applicant is not accredited by JCAHO or AOA. The Applicant has been and continues to be certified for participation in Medicare by the Tennessee Dept. of Health.

**(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

The Applicant's license is in good standing and a copy is attached as Attachment C.Contribution 7(b).

**(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

A copy of the Applicant's most recent certification survey, delineation of deficiencies and the plan of correction accepted by the Tennessee Department of Health is attached hereto as Attachment C.Contribution 7(d).

- 8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None

- 9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None

- 10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients.**

If requested, the Applicant will provide to an appropriate requesting party information concerning aggregate numbers of patients treated, number and type of procedures performed and other relevant information.

# HISTORICAL DATA CHART

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year <u>2012</u>	Year <u>2013</u>	Year <u>2014</u>
A. Utilization Data (Specify unit of measure) <u>Admission</u>	<u>13,72</u>	<u>11,40</u>	<u>7,01</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$1,736,391</u>	<u>\$8,720,220</u>	<u>\$4,592,554</u>
2. Outpatient Services	<u>21,582,582</u>	<u>12,796,614</u>	<u>15,350,349</u>
3. Emergency Services	<u>7,506,758</u>	<u>9,415,820</u>	<u>8,202,208</u>
4. Other Operating Revenue (Specify) <u>Rent, vending, med records, etc</u>	<u>188,771</u>	<u>220,835</u>	<u>727,771</u>
<b>Gross Operating Revenue</b>	<b>\$41,064,232</b>	<b>\$34,353,489</b>	<b>\$30,575,404</b>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$26,375,282</u>	<u>\$21,737,927</u>	<u>\$18,336,585</u>
2. Provision for Charity Care	<u>160,138</u>	<u>62,513</u>	<u>12,843</u>
3. Provisions for Bad Debt	<u>3,337,808</u>	<u>2,425,130</u>	<u>2,172,610</u>
<b>Total Deductions</b>	<b>\$29,775,228</b>	<b>\$24,425,570</b>	<b>\$20,522,038</b>
<b>NET OPERATING REVENUE</b>	<b>\$11,289,004</b>	<b>\$11,734,919</b>	<b>\$9,983,366</b>
D. Operating Expenses			
1. Salaries and Wages <u>and benefits</u>	<u>\$6,244,810</u>	<u>\$5,575,363</u>	<u>\$5,825,674</u>
2. Physician's Salaries and Wages	<u>400,000</u>	<u>0</u>	<u>0</u>
3. Supplies	<u>1,478,412</u>	<u>1,782,460</u>	<u>1,139,721</u>
4. Taxes	<u>110,922</u>	<u>102,350</u>	<u>118,267</u>
5. Depreciation	<u>432,752</u>	<u>368,649</u>	<u>313,775</u>
6. Rent	<u>280,387</u>	<u>286,721</u>	<u>281,281</u>
7. Interest, other than Capital	<u>0</u>	<u>0</u>	<u>0</u>
8. Management Fees:			
a. Fees to Affiliates	<u>0</u>	<u>0</u>	<u>0</u>
b. Fees to Non-Affiliates	<u>0</u>	<u>0</u>	<u>0</u>
9. Other Expenses (Specify) <u>Legal, ER company, utilities, repairs, insurance, physician recruiting, etc</u>	<u>3,452,636</u>	<u>3,016,048</u>	<u>2,738,047</u>
<b>Total Operating Expenses</b>	<b>\$12,397,116</b>	<b>\$11,456,311</b>	<b>\$10,416,788</b>
E. Other Revenue (Expenses) – Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$1,110,112</b>	<b>\$470,108</b>	<b>\$433,621</b>
F. Capital Expenditures	<u>186,568</u>	<u>35,937</u>	<u>352,349</u>
1. Retirement of Principal	<u>\$377,310</u>	<u>\$363,610</u>	<u>\$78,307</u>
2. Interest	<u>934,747</u>	<u>462,279</u>	<u>425,511</u>
<b>Total Capital Expenditures</b>	<b>\$1,015,025</b>	<b>\$134,101</b>	<b>\$856,467</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$1,110,112</b>	<b>\$470,108</b>	<b>\$433,621</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$1,110,112</b>	<b>\$134,101</b>	<b>\$856,467</b>

# PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year <u>2016</u>	Year <u>2017</u>
A. Utilization Data (Specify unit of measure) <i>Average daily census IP + OB's</i>	<u>11.08</u>	<u>11.14</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$4,041,374</u>	<u>\$4,041,374</u>
2. Outpatient Services	<u>15,444,127</u>	<u>18,090,127</u>
3. Emergency Services	<u>11,567,679</u>	<u>11,567,679</u>
4. Other Operating Revenue (Specify) <i>Rent, vending, med records, cafeteria, etc.</i>	<u>371,026</u>	<u>371,026</u>
<b>Gross Operating Revenue</b>	<b><u>\$33,424,228</u></b>	<b><u>\$36,070,228</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$18,783,839</u>	<u>\$20,320,613</u>
2. Provision for Charity Care	<u>(12,843)</u>	<u>(12,843)</u>
3. Provisions for Bad Debt	<u>1,754,360</u>	<u>1,917,543</u>
<b>Total Deductions</b>	<b><u>\$20,525,356</u></b>	<b><u>\$22,225,313</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$12,898,872</u></b>	<b><u>\$13,844,915</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>\$4,081,227</u>	<u>\$4,409,979</u>
2. Physician's Salaries and Wages	<u>1,052,500</u>	<u>1,050,500</u>
3. Supplies	<u>1,714,447</u>	<u>1,918,074</u>
4. Taxes	<u>203,894</u>	<u>213,559</u>
5. Depreciation	<u>159,794</u>	<u>159,794</u>
6. Rent	<u>787,429</u>	<u>787,429</u>
7. Interest, other than Capital	<u>0</u>	<u>0</u>
8. Management Fees:		
a. Fees to Affiliates	<u>0</u>	<u>0</u>
b. Fees to Non-Affiliates	<u>0</u>	<u>0</u>
9. Other Expenses (Specify) <i>Legal, CP Company, Utilities, Repairs, Insurance, Phys Recall, etc.</i>	<u>1,406,362</u>	<u>1,479,772</u>
<b>Total Operating Expenses</b>	<b><u>\$2,605,451</u></b>	<b><u>\$10,321,277</u></b>
E. Other Revenue (Expenses) -- Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$3,273,221</u></b>	<b><u>\$3,523,638</u></b>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$391,491</u>	<u>\$435,876</u>
2. Interest	<u>752,116</u>	<u>724,722</u>
<b>Total Capital Expenditures</b>	<b><u>\$1,143,607</u></b>	<b><u>\$1,160,598</u></b>
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b><u>\$2,129,614</u></b>	<b><u>\$2,363,040</u></b>

## PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	_____
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	_____
3.	Acquisition of Site	_____
4.	Preparation of Site	8,000
5.	Construction Costs	165,000
6.	Contingency Fund	50,000
7.	Fixed Equipment (Not included in Construction Contract)	_____
8.	Moveable Equipment (List all equipment over \$50,000)	_____
9.	Other (Specify) _____	_____
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	_____
2.	Building only	_____
3.	Land only	_____
4.	Equipment (Specify) _____	_____
5.	Other (Specify) _____	_____
C. Financing Costs and Fees:		
1.	Interim Financing	_____
2.	Underwriting Costs	_____
3.	Reserve for One Year's Debt Service	24,000
4.	Other (Specify) _____	_____
D.	Estimated Project Cost (A+B+C)	247,000
E.	CON Filing Fee	3,000
F.	Total Estimated Project Cost (D+E)	250,000
<b>TOTAL</b>		250,000

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): \_\_\_\_\_

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	_____	_____
2. Construction documents approved by the Tennessee Department of Health	_____	_____
3. Construction contract signed	_____	_____
4. Building permit secured	_____	_____
5. Site preparation completed	_____	_____
6. Building construction commenced	_____	_____
7. Construction 40% complete	_____	_____
8. Construction 80% complete	_____	_____
9. Construction 100% complete (approved for occupancy)	_____	_____
10. *Issuance of license	_____	1/2016
11. *Initiation of service	_____	1/2016
12. Final Architectural Certification of Payment	_____	_____
13. Final Project Report Form (HF0055)	_____	_____

\* **For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

**AFFIDAVIT**

STATE OF

Tennessee

COUNTY OF

Williamson

Ashoke Muthy, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

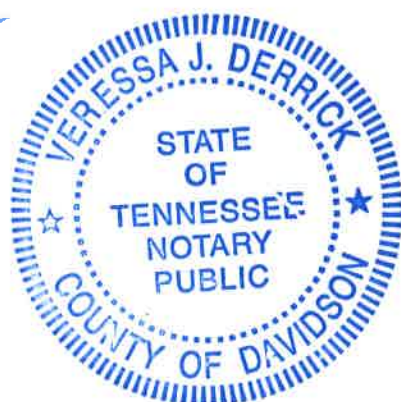
[Signature]  
SIGNATURE/TITLE

Sworn to and subscribed before me this 25<sup>th</sup> day of September, 2015 a Notary  
(Month) (Year)

Public in and for the County/State of Williamson / Tennessee

[Signature]  
NOTARY PUBLIC

My commission expires March 7, 2017.  
(Month/Day) (Year)







**STATE OF TENNESSEE**  
**Tre Hargett, Secretary of State**  
Division of Business Services  
William R. Snodgrass Tower  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

**ASHOKE MUKHERJI**  
6 CASTLEWOOD CT  
NASHVILLE, TN 37215-4617

September 14, 2015

**Request Type: Certificate of Existence/Authorization**  
Request #: 0175001

Issuance Date: 09/14/2015  
Copies Requested: 1

**Document Receipt**

Receipt #: 002231381 Filing Fee: \$20.00  
Payment-Account - #42111 ASHOKE MUKHERJI, NASHVILLE, TN \$20.00

**Regarding: COFFEE MEDICAL GROUP, LLC**  
Filing Type: Limited Liability Company - Domestic  
Formation/Qualification Date: 06/07/2002  
Status: Active  
Duration Term: Perpetual  
Business County: COFFEE COUNTY

Control #: 428165  
Date Formed: 06/07/2002  
Formation Locale: TENNESSEE  
Inactive Date:

**CERTIFICATE OF EXISTENCE**

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

**COFFEE MEDICAL GROUP, LLC**

- \* is a Limited Liability Company duly formed under the law of this State with a date of incorporation and duration as given above;
- \* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- \* has filed the most recent annual report required with this office;
- \* has appointed a registered agent and registered office in this State;
- \* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

  
Tre Hargett  
Secretary of State

Processed By: Nichole Hambrick

**Verification #: 013575317**

**ARTICLES OF ORGANIZATION  
OF  
COFFEE MEDICAL GROUP, LLC**

WITNESSETH

7 MAY 8:35

The undersigned, acting as the organizer of a limited liability company under the Tennessee Limited Liability Company Act, hereby adopts the following Articles of Organization for such limited liability company:

**ARTICLE I**

The name of the limited liability company is **Coffee Medical Group, LLC**.

**ARTICLE II**

The street address and zip code of the initial registered office of the limited liability company shall be 214 Overlook Court, Suite 105, Brentwood, Williamson County, Tennessee 37027. The name of the limited liability company's initial registered agent at its initial registered office is Ashoke A. Mukherji.

**ARTICLE III**

The name and address of the organizer is Ashoke A. Mukherji, 214 Overlook Court, Suite 105, Brentwood, Williamson County, Tennessee 37027.

**ARTICLE IV**

At the date and time of formation, there are two (2) or more members of the limited liability company.

**ARTICLE V**

At the date and time of the filing of these Articles of Organization, there are three (3) members of the limited liability company.

**ARTICLE VI**

The street address and zip code of the principal executive office of the limited liability company and the county in which the principal executive office is located is 214 Overlook Court, Suite 105, Brentwood, Williamson County, Tennessee 37027.

**ARTICLE VII**

The limited liability company shall have the power and authority to expel a member.

**ARTICLE VIII**

The limited liability company shall be board managed.

**ARTICLE IX**

The members of the limited liability company and any other parties to any contribution agreement or contribution allowance agreement with the limited liability company shall have preemptive rights.

**ARTICLE X**

On the occurrence of any event that terminates the continued membership of a member, if there are at least two (2) remaining members and the existence and business of the limited liability company is continued by the consent of a majority in interest of the remaining members, the limited liability company shall not be dissolved and is not required to be wound up.

**ARTICLE XI**

A member may not, without the consent of a majority of the members, assign governance rights to another person already a member at the time of the assignment. Any other assignment of any governance rights is effective only if the assignment is approved by the members holding both a majority of the voting power and a majority in interest, exclusive of the voting power and interest held by the member seeking to make the assignment.

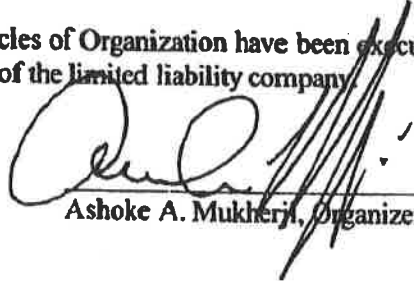
**ARTICLE XII**

(a) The limited liability company shall indemnify every person who is or was a party of is or was threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was serving at the request of the limited liability company as a governor, manager, director, officer, partner, trustee, employee or agent of another foreign or domestic limited liability company, corporation, partnership, limited partnership, joint venture, employee benefit plan or other enterprise, including service on a committee formed for any purpose (and in each case, his or her heirs, executors, administrators and personal representatives), against all expense, liability and loss (including counsel fees, judgments, fines, ERISA excise taxes, penalties and amounts paid in settlement) incurred or suffered in connection with such action to the fullest extent permitted by the Act and applicable law, as in effect on the date hereof and as hereafter amended. Such indemnification may include advances or reimbursement of expenses in advance of final disposition of such action, suit or proceeding, subject to the provision of the Act and applicable law.

(b) The indemnification and advancement of expenses provisions of subsection (a) shall not be exclusive of any other right which any person (and his or her heirs, executors and administrators) may have or hereafter acquire under the Act, applicable law, provision of the Articles of Organization, the limited liability company's Operating Agreement, in a resolution of

members, an agreement providing for such indemnification or advancement of expenses, or insurance, purchased by the limited liability company or otherwise, both as to action in his or her official capacity and as to action in another capacity. The limited liability company is hereby authorized to provide for indemnification and advancement of expenses through its articles of Organization, Operating Agreement, resolution of members and agreement.

**IN WITNESS WHEREOF**, these Articles of Organization have been executed on this 1st day of June, 2002 by the undersigned organizer of the limited liability company.

  
\_\_\_\_\_  
Ashoke A. Mukherji, Organizer

**AMENDED AND RESTATED  
OPERATING AGREEMENT  
OF  
COFFEE MEDICAL GROUP, LLC**

THIS AMENDED AND RESTATED OPERATING AGREEMENT is made and entered into as of July 1, 2012, and is by and among all members of Coffee Medical Group, LLC (the "Members"), executing this Agreement from time-to-time.

**WITNESSETH:**

WHEREAS, the Company was formed as a Tennessee limited liability company upon the filing of its Articles of Organization with the Tennessee Secretary of State on June 7, 2002; and

WHEREAS, the persons who were then Members entered into an Operating Agreement on June 7, 2002 in order to memorialize each of their respective rights and obligations as Members of the Company; and

WHEREAS, the existing Members desire to amend and restate the Company's Operating Agreement in its entirety to memorialize their respective rights and obligations as Members of the Company;

NOW, THEREFORE, in consideration of the mutual promises, covenants and undertakings hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members hereto agree as follows:

**ARTICLE 1  
DEFINITIONS**

1.1 Definitions. As used herein the following terms shall have the indicated meanings. Terms not otherwise defined herein shall have the meaning set forth in the Act.

(a) "Act" means the Tennessee Revised Limited Liability Company Act, Tennessee Code Annotated Section 48-249-101 et seq. in effect on the date hereof and as may be hereafter amended.

(b) "Agreement" means this Operating Agreement and as may be hereafter

(c) "Board" means the initial Board of Directors as established in this Agreement or any subsequent Board of Directors elected in accordance with Article 7.

(d) "Capital Account" shall have the meaning attributed, to such term in Section 4.4

(e) "Cash Flow" of the Company shall mean the Company's taxable income for federal tax purposes, increased by (i) amortization, depreciation and other noncash charges taken in to account in computing taxable income, (ii) any nontaxable income or proceeds from



any refinancing of the Company's indebtedness (other than capital contributions) and (iii) the net proceeds from the sale of any of the Company's assets, and reduced by (iv) principal payments on Company indebtedness, (v) any other cash expenditures which have not been deducted in determining the taxable income of the Company and (vi) any amount that the Board determines to be reasonably required to maintain sufficient working capital and a reasonable reserve for operating expenses. The Cash Flow of the Company shall be determined separately for each fiscal year and not cumulatively.

(f) "Chief Manager" means the initial Chief Manager of the Company as described in Section 8.2 below, or any subsequent Chief Manager as may be elected by the Board.

(g) "Code" means the Internal Revenue Code of 1986, as may be hereafter amended.

(h) "Company" means Coffee Medical Group, LLC, the limited liability company formed by the Members.

(i) "Contributed Capital" means, with respect to any Member as of any particular time, the cumulative amount of capital contributions made by such Member to the Company less the cumulative amount of distributions made by the Company to such Member, but only to the extent such distributions are attributable to proceeds received by the Company as a result of the sale, refinancing, condemnation or destruction of property of the Company other than in the ordinary course of its business.

(j) "Financial Rights" means the right to share in profits, losses and distributions of the Company and to receive interim and liquidation distributions of the Company.

(k) "Governance Rights" means all of each Member's rights as a Member in the Company other than Financial Rights and the right to assign such Financial Rights.

(l) "Directors" collectively, and "Director" individually means any individual serving on the Board.

(m) "Hospital" or "Facility" means Coffee Medical Center in Manchester, Tennessee.

(n) "Managers" means the Chief Manager, Secretary, Chief Executive Officer and any other Managers who may be designated from time to time by the Board to manage the affairs of the Company pursuant to the provisions of this Agreement.

(o) "Members" means those persons set forth on Schedule A attached hereto as may be hereafter amended, together, with any additional members admitted pursuant to the provisions of this Agreement.

(p) "Membership Interest" means each Member's interest in the Company, consisting of (i) the Financial Rights, (ii) the Governance Rights, and (iii) rights to assign either

the Financial Rights and Governance Rights or both. In the event a Member has assigned some or all of such Member's Financial Rights, in such case "Membership Interest" means (i) such Member's Governance Rights, (ii) such Member's rights to assign his or her Governance Rights, (iii) any remaining Financial Rights of such Member, and (iv) such Member's rights to assign any remaining Financial Rights of such Member.

(q) "Membership Voting Power" shall mean the meaning prescribed in Section 6.4 hereof

(r) "Net Losses" means the excess of all expenses of the Company over all income of the Company (including the amount of any losses recognized by the Company on the sale or other disposition of Company property) during a calendar year, all as determined in accordance with the method of accounting utilized by the Company for federal income tax purposes.

(s) "Net Profits" means the excess of all income of the Company over all expenses of the Company (including the amount of any gains recognized by the Company on the sale or other disposition of Company property) during a calendar year, all as determined in accordance with the method of accounting utilized by the Company for federal income tax purposes.

(t) "Percentage Interest" means the interest of each Member, as defined in Section 4.1

(u) "Responsible Person" has the meaning given to such term in the Act.

(v) "Secretary" means the initial Secretary of the Company as described in Section 8.3 hereof or any subsequent Secretary as may be elected by the Board.

(w) "Transferring Person" shall have the definition as set forth in Section 12.4 hereof.

## **ARTICLE 2 FORMATION.**

2.1 Formation. The Members hereby form a limited liability company under and pursuant to the Act, subject to the terms and conditions set forth in this Agreement.

2.2 Name. The name of the Company shall be Coffee Medical Group, LLC. The Company conducts business under the name: United Regional Medical Center. The Company may adopt and conduct its business under such other assumed or trade names as the Members may from time to time determine. The Company shall file any assumed or fictitious name certificates as may be required to conduct business in any state.

2.3 Articles of Organization. The Articles of Organization as filed with the Secretary of State of the State of Tennessee on June 7, 2002, by Ashoke Bappa Mukherji are hereby adopted and ratified by the Members. In the event of a conflict between the terms of this

Agreement and the terms of the Articles of Organization, the terms of the Articles of Organization shall prevail.

### ARTICLE 3 PURPOSE AND POWERS

3.1 Purpose. The purpose of the Company shall be to engage in the business of acquiring, owning, and operating the Hospital, and to undertake any other lawful business activity in connection therewith.

3.2 Powers. In furtherance of the foregoing purposes, the Company shall have the full power and authority to conduct its business as provided by the Act and applicable law.

### ARTICLE 4 CAPITAL

4.1 Capital Contributions and Percentage Interest. Each Member has made or agrees to make the contributions to the capital of the Company in the amounts set forth on Schedule A attached hereto. Except as adjusted or revised pursuant to the terms of this Agreement, each Member's Percentage Interest shall equal the percentage set forth for each such Member on Schedule A.

4.2 Additional Capital Contributions. If the Board determines that the Company requires additional capital contributions and the Members approve the Board's determination as provided in Section 8.10(a) hereof, the Company shall accept additional capital contributions. In such event, each of the Members shall have the right, but not the obligations, to contribute funds according to such Member's Percentage Interest. The total amount and timing of such additional capital contributions shall be determined by the Board. Unless otherwise specified by the Board in the determination of additional capital contributions, the Chief Manager shall specify the payment date for additional capital contributions upon thirty (30) days prior written notice to the Members consistent with such determination. The provisions of this Section 4.2 constitute an agreement among the Members only and are not intended to create any right or interest on behalf of any person who is not a Member or require any Member to make a capital contribution for the benefit of any person who is not a Member.

4.3 No Interest or Right to Withdraw. No Member shall have the right to demand the return of, or otherwise withdraw, such Member's contributions, or to receive any specific property of the Company, except as specifically provided in this Agreement. No Member shall have the right to demand and receive property other than cash in return for such Member's contributions. No interest shall be paid on capital contributions or on balances in Capital Accounts.

4.4 Capital Accounts. A capital account ("Capital Account") shall be established on the books of the Company for each Member. Each Capital Account shall be established and maintained in accordance with the provisions of Treas. Regs. § 1.704-1(b)(2)(iv). In general, each Capital Account shall be increased by the amount of each Member's contributions to the Company as and when made and with that Member's share of Net Profits. Each Member's Capital Account shall be decreased by his share of Net Losses and with the amount of all



distributions made by the Company to that Member. Capital Accounts shall be adjusted by minimum gain chargebacks if required by Treas. Regs. 1.704-2(b)(i).

4.5 Statements of Membership Interests. Within five (5) days after the written request of any Member, the Secretary shall provide to such Member a written statement of the particular Membership Interest owned by such Member as of the time the Company makes such written statement. Such statement of Membership Interest shall not be deemed to be a certificated security, a negotiable instrument, nor a bond or stocks and shall not be a vehicle by which any transfer of any Member's Membership Interest may be effected.

4.6 Remedies in Event of Default. In the event that any Member fails to make a contribution required of such Member on or before the sixtieth (60th) calendar day following the due date specified by the Board or the Chief Manager, as the case may be, the Percentage Interests of the Members shall be recomputed effective as of the due date of such additional capital contributions. In such event, the Percentage Interest of each Member shall be the amount of such Member's Contributed Capital divided by the aggregate amount of Contributed Capital for all Members. Alternatively, if the non-defaulting Members so determine by a majority vote of the Membership Voting Power of such non-defaulting Members, the Company may elect one of the following remedies:

(i) lend to such defaulting Member that amount necessary or appropriate to meet such defaulting Member's commitment and the charging of interest thereon of up to the highest rate allowed by law, with the repayment of such indebtedness to be made from the first distributions from such defaulting Member's Interest; or

(ii) fix the value of such defaulting Member's Membership Interest by appraisal and redeem such defaulting Member's Membership Interest at such value in the manner hereinafter prescribed.

If the non-defaulting Members elect to fix the value of the defaulting Member's interest by appraisal, the value of such defaulting Member's Interest shall be the amount that such Member would be entitled to receive upon a liquidation of the Company as determined by appraisal. The appraisal of the Company shall be conducted by a single appraiser approved by the Company and the defaulting Member, respectively. If the Company and the defaulting Member cannot agree upon a single appraiser, the appraisal shall be conducted by three appraisers, one appraiser selected by the Company, one appraiser selected by the defaulting Member, and one appraiser selected by the other two appraisers. The total value of the Company shall be established by a majority vote of the appraisers. When the value of the Company has been established by the appraisal, the final purchase price of the defaulting Member's Interest shall be calculated and determined by the Company's accountants. The expense of such appraisals and calculation of value by the Company's accountants shall be borne equally by the Company and the defaulting Member. The total purchase price so established shall be final, and neither party shall have any right to appeal therefrom to the courts or otherwise, except to enforce such determination of the total purchase price. Such price shall be paid in sixty (60) equal monthly installments of principal together with interest on the unpaid principal balance at a rate equal to the highest Prime Rate as published in The Wall Street Journal, commencing thirty

(30) days after the date on which the value of such Membership Interest has been determined in the manner hereinabove described.

## **ARTICLE 5 ALLOCATIONS**

5.1 Allocations. Except as otherwise provided herein, the Net Profits, Net Losses and other tax attributes of the Company for each fiscal year shall be allocated in accordance with each Member's Percentage Interest. Net Income or Net Loss allocable to any Member whose Membership Interest or Financial Rights have been assigned, in whole or in part, during any fiscal year shall be allocated among the persons who were the holders of such Membership Interest or Financial Rights during such fiscal year in proportion to their respective holding periods, without separate determination of the results of Company operations during such periods. Net Profits or Net Losses attributable to a sale or other disposition of all or any portion of the assets of the Company shall be allocated to those Members who were Members at the time of the occurrence of the disposition giving rise to such Net Profits or Net Losses.

5.2 Distribution of Cash Flow. Subject to the provisions of the Act, Cash Flow generated from Company operations, after application of the provisions of Article 4 above, may be distributed to the Members in such amount as the Board shall determine. All distributions of Cash Flow shall be made to the Members in accordance with their respective Percentage Interests.

5.3 Special Tax Allocations. The following special allocations of income and gain shall be made for federal income tax purposes prior to any other allocations pursuant to Section 5.1:

(a) Notwithstanding any other provisions of this Article 5, if there is a net decrease during a Company's taxable year in the minimum gain attributable to a nonrecourse debt, then any Member with a share of the minimum gain attributable to such debt at the beginning of such year shall be allocated items of Company income and gain for such year (and, if necessary, for subsequent years) equal to such Member's share of the net decrease in the minimum gain attributable to such nonrecourse debt. The allocations under this Section 5.3 shall be interpreted in a manner to conform with Treasury Regulation 1.704-2.

(b) Notwithstanding any other provisions of this Article 5, if a Member's Capital Account, increased for this purpose by any Member's share of minimum gain, is reduced below zero due to: (1) an unexpected allocation of loss or deduction pursuant to Code Sections 706(d), 704(e)(2) or Treasury Regulation 1.751-1(b)(2)(ii) or (2) distributions to such Member (to the extent they exceed reasonably expected offsetting increases in such Member's Capital Account), then such Member shall be allocated, as quickly as possible, items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year) equal to an amount required to eliminate such deficit. Such allocation shall be interpreted to conform with Treasury Regulation 1.704-1(b)(2)(ii)(d).

(c) Gain or loss from the sale or exchange or other taxable disposition of all or any part of the property of the Company shall be allocated among the Members in the following manner and order of priority:

(i) Any part of such gain attributed to property contributed to the Company by a Member shall, to the extent of the difference between the adjusted basis to the Company of such contributed property at the time of contribution and the amount credited to such Member's Capital Account in respect of such contribution, be allocated to only the contributing Member;

(ii) Gain that results from depreciation deductions previously taken by the Company shall be allocated among the Members in the same proportions as such depreciation was originally allocated to them;

(iii) Any remaining gain shall be allocated among the Members in accordance with their Percentage Interests; and

(iv) In the event that all or any part of any gain realized from the sale or other disposition of any part of the property of the Company constitutes ordinary income to the Company pursuant to Section 1245 and/or Section 1250 of the Code, such part of the gain shall be allocable to the Members, prior to the allocation of any gain realized from such sale that constitutes capital gain to the Company pursuant to Section 1222 and/or Section 1231 of the Code, in the same proportions and to the same extent as the amount of such gain that constitutes ordinary income bears to the total amount of such gain to be allocated pursuant to subparagraphs (i)-(iii) above.

(d) In the event that any Member is determined to have received all or any part of such Member's interest in the profits and losses of the Company (as distinguished from such Member's interest in the capital of the Company) as compensation for its services or as consideration for the sale of property, and as a result of such determination, such Member is required to realize compensation income or capital gain for federal and/or state income tax purposes with respect to such interest in the Company, any corresponding federal and state income tax benefit inuring to the Company as a result of such determination whether in the form of a deduction for compensation paid, an allowance for depreciation or amortization of any asset of the Company, or a reduction in the gain required to be recognized by the Company upon a sale of any of its assets, or otherwise, shall be allocated for federal and state income tax purposes solely to the Member or Members required to recognize such compensation income or capital gain in the same proportion as the amount of such income or capital gain required to be recognized by each such Member bears to the total amount of such income or capital gain required to be recognized by all of the Members.

## ARTICLE 6 MEMBERS AND VOTING RIGHTS

6.1 Admission of New Members. Except as otherwise expressly provided in Article 12 hereof, no other person shall be made a Member without the recommendation of a majority of the non-transferring voting Members of the Board and the affirmative vote of the non-

transferring Members holding a majority of the Membership Voting Power in the Company of non-transferring Members at the time such membership decision is to be made. Notwithstanding the foregoing, the Board may issue additional Membership Interests to any Members upon such terms and conditions as specified by the Board by a vote of a majority of the Board without requiring approval by the Members. The Company shall revise Schedule A to reflect any action taken by the Members pursuant to this Section 6.1

6.2 Meetings. Meetings of all Members may be called by the Board, the Chief Manager, Secretary, or Members holding 25% of the Membership Voting Power by mailing notice to all Members no fewer than ten (10) days nor more than sixty (60) days before the meeting date, stating the purpose(s) of the meeting. Any such meetings shall be held at the principal place of business of the Company, or such other place in Manchester, Tennessee, as may be designated in the notice. Attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, except where a Member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

6.3 Quorum Requirements for Meetings. The Members holding a majority of the Membership Voting Power of the Membership Interests entitled to vote at any meeting shall constitute a quorum for the transaction of business. Once a Membership Interest is represented at any meeting, it is deemed to be present for the remainder of that meeting and for any adjournment. A meeting may be adjourned, and notice of an adjourned meeting is not necessary if the date, time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken.

6.4 Membership Voting Power. At any meeting of the Members, each Member entitled to vote shall have a number of votes (the "Membership Voting Power") equal to such Member's Percentage Interest as set forth on Schedule A hereto, as the same may be amended from time to time.

6.5 Action by Members. At any meeting of the Members at which a quorum is present, a majority of the Membership Voting Power is required to take action on a matter unless a vote of greater proportion is otherwise required by this Agreement, the Company's Articles of Organization or the Act.

6.6 Action Without a Meeting. Action required or permitted to be taken at a meeting of the Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by Members holding a majority of the Membership Voting Power and delivered to the Chief Manager and the Secretary of the Company for filing with the Company records.

6.7 Annual Meeting. The Annual Meeting of the Members shall be held at the call of the Board each year on a date and at such time and place, within the State of Tennessee, as may be selected by the Board and designated in the call of the meeting.

## ARTICLE 7 BOARD OF DIRECTORS

7.1 Management of Company. The overall management of the business and affairs of the Company shall be vested in the Board of Directors. The Directors need not be Members. Except where expressly provided herein to the contrary, all decisions with respect to the management of the Company shall be made by the Board, or through Managers, committees or agents appointed by the Board, and will be binding upon the Company and all Members. The Board may delegate to the Managers such authority and responsibility as it deems to be in the best interest of the Company. No document, contract or other agreement shall bind the Company unless signed by at least a Director, Manager, or his respective designee as previously approved by the Board. All checks drawn on an account of the Company shall be signed by a Director, Manager or his respective designee. The Board may delegate any or all of its responsibilities and appoint agents or attorneys in fact to act in its behalf

7.2 Size, Compensation of Board. The size of the Board shall be comprised of nine (9) Directors, and hereafter as fixed by the Board from time to time. The Members have exclusive authority to change the Board from a fixed size Board to a variable-range size Board and vice versa. The Board shall be comprised of eight (8) voting Directors and one (1), non-voting, ex-officio Director (the "Ex-Officio Directors"). The Ex-Officio Director shall be the Chief Executive Officer. The Chief Manager and Chief of Medical Staff shall always be voting Directors. Exhibit B attached hereto is a listing of the Board of Directors.

7.3 Election of the Board. Directors shall be elected every year by a majority vote of the Members at the Annual Meeting of the Members.

7.4 Term of Office. The Directors shall have three-year staggered terms. Each Director elected hereafter shall hold office for a term of three (3) years, or until his successor shall have been elected, or until his earlier death, resignation or removal.

7.5 Quorum. A quorum of the Board consists of a majority of the number of Directors in office and entitled to vote immediately before the meeting begins. The act of a majority of Directors present at a meeting at which a quorum is present shall be the act of the Board.

7.6 Meetings; Notice. Meetings of the Board may be held at such place or places as shall be determined from time to time by the Board. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Regular meetings of the Board may be held at such times and places as shall be designated from time to time by resolution of the Board. Notice of such regular meetings shall not be required. Special meetings of the Board may be called by any two (2) or more Directors on at least forty-eight (48) hours notice to each other Director. Such notice must state the purpose(s) of such meeting. The Chief Financial Officer, the Compliance Officer and General Counsel shall participate in all Board meetings.

7.7 Action by Written Consent or Telephone Conference. Any action permitted or required by the Act, the Articles, or this Agreement to be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by a majority of the Directors entitled to vote. Such consent shall have the same force and effect as a unanimous vote at a meeting, and the execution of such consent shall constitute attendance or presence in person at a meeting of the Board or any such committee, as the case may be. The Board may participate or conduct a meeting through the use of any means of communication, including telephone, by which all Directors participating may simultaneously hear each other during the meeting. In the event that a Director is not or cannot be reached to obtain a signature on the written consent, the Chief Manager, the Chief Executive Officer or the Secretary can execute the written consent on behalf of that Director.

7.8 Compensation. The Directors shall receive such compensation for their services, if any, as may be approved from time to time by the Members. The Directors shall be entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of their service hereunder.

7.9 Removal of Directors. A Director may be removed with or without cause at any time upon the affirmative vote of a two-thirds (2/3) majority Membership Voting Power.

7.10 Vacancies on the Board. A vacancy on the Board will be filled by the Board subject to ratification by a majority of the Membership Voting Power.

## ARTICLE 8 MANAGEMENT

8.1 Election, Withdrawal and Removal of Managers. The Company shall have Managers appointed by the Board. The Company shall at all times have at least two Managers, those being the Chief Manager and the Secretary. A Manager need not be a Member. In addition, the Board may create the offices of and elect Vice Presidents as the Board deems proper. The Board may, from time to time, appoint any new, additional or substitute Managers and may, from time to time and without cause, remove anyone or more of the Managers. The Board may, at any time, eliminate any Manager position other than that of the Chief Manager and the Secretary. Any Manager may, at any time and upon thirty (30) days prior written notice to the Members, resign as a Manager, but such resignation shall not affect his or her status, if any, as a Member.

8.2 Duties of the Chief Manager. The Chief Manager shall have the following duties:

- (a) See that all orders and resolutions of the Board are carried into effect;
- (b) Sign and deliver, in the name of the Company, any deeds, mortgages, bonds, contracts, leases or other instruments pertaining to the business of the Company, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Articles of Organization, this Agreement, the Board, or the Members to some other Manager or agent of the Company or is expressly prescribed by the Articles of Organization, the Board, or the Members to be exercised in conjunction with another Manager;

(c) Perform other duties necessary or appropriate to the ordinary conduct of the Company's business, prescribed by this Agreement, or prescribed to the Chief Manager under the Act.

8.3 Duties of the Secretary. The Secretary shall have the following duties:

(a) Attend all meetings of the Board and Members and be responsible for recording minutes for such meetings;

(b) Keep accurate membership records for the Company;

(c) Maintain records of and, whenever necessary, certify all proceedings of the Board, Members or committees of the Company;

(d) Receive notices required to be sent to the Secretary and keep a record of such notices in the records of the Company;

(e) Sign and deliver, in the name of the Company, and in conjunction with the Chief Manager, all promissory notes, security agreements, deeds of trust and other documents and instruments required by any lender in conjunction with any borrowing approved by the Board or by the Members pursuant to Section 8.7 hereof,

(f) Perform other duties prescribed herein, prescribed to the Secretary under the Act, or as prescribed by the Board.

8.4 Duties of the Chief Executive Officer. The Chief Executive Officer shall have the following duties:

(a) Act as CEO of the Company, manage and control the day-to-day operations of the Company, supervise the active management of the business affecting the Company, provided that approval of the Board must be obtained for any nonbudgeted expenditure exceeding \$25,000 or any contract or commitment extending beyond one (1) year; and

(b) Perform other duties necessary or appropriate to the ordinary conduct of the Company's business, prescribed by this Agreement, or prescribed to the CEO by the Chief Manager or the Board.

8.5 Additional Managers. Additional Managers may be appointed by the Board and listed on Schedule A of this Agreement. Such Managers shall perform duties as delegated by the Chief Manager and the Secretary/Counselor prescribed by the Board upon their appointment.

8.6 Committees of the Board of Directors. The Board may, from time to time, create committees and appoint members to those committees to act in whatever capacity so delegated by the Board. At all times the Company shall have an Executive/Finance Committee, a Medical Executive Committee and a Compliance Committee.

8.7 Compensation of Managers. Except as may be hereinafter approved by the Board, no payment shall be made by the Company to any Manager for the services of such Manager or any partner, employee, or affiliate of the Manager.

8.8 Borrowing. The Company shall not incur any indebtedness secured by assets of the Company, or any unsecured indebtedness in excess of Fifty Thousand Dollars (\$50,000), without the prior approval of the Board. The following Managers shall execute and deliver, on behalf of the Company, any and all promissory notes, security agreements, deeds of trust and other documents and instruments required by the lender in connection therewith: Chief Manager and Secretary.

8.9 Dealing With Affiliates. The Company may acquire property or services from, and have other transactions with, the Members or an entity controlled jointly by the Members ("Affiliate"), subject to the following limitations:

(a) If the funds of the Company are commingled with those of a Member or an Affiliate, then adequate records must be kept of each entity's interest in such commingled funds.

(b) With respect to any loans between the Company, a Member or an Affiliate, the lender will not receive any interest or other financing charges or fees in excess of the amounts that would be charged to the Company by the Company's primary bank.

(c) All transactions between the Company and the Members or an Affiliate shall be evidenced in writing and shall provide for compensation at a rate commensurate with that which could be obtained in the case of a similar transaction with independent persons; each such agreement shall be cancelable by the Company upon no more than ninety (90) days notice.

8.10 Other Activities. Within the Hospital's service area as determined by the Company, no Director, Manager, or Member may engage in other activities not being engaged in at the time of this Agreement or which result in new business or substantial increase in business being conducted at the time of this Agreement, unless such Director, Manager or Member gives the Company ninety (90) days written notice prior to engaging in such activity. Failure to comply with this provision, at the Company's election, shall cause a termination of the Membership Interest of such Member pursuant to Section 11.1 hereof

8.11 Supermajority Decisions. The following powers with respect to the management of the affairs of the Company shall be taken only with Board Approval and the consent of the Members holding two-thirds (2/3) of the Membership Voting Power:

(a) Approval of additional capital contributions.

(b) Making loans or advances in any amount, guarantying obligations of any other person or entity, or making any other pledge or extension of credit other than in the ordinary course of business of the Company.



(c) Investing the assets of the Company by the purchase of an equity or other ownership interest in any other person or entity other than in the ordinary course of business of the Company.

(d) Confess any judgment against the Company.

8.12 Major Decisions. The following powers with respect to the management of the affairs of the Company shall be taken only with Board approval and the consent of the Members holding a majority of the Membership Voting Power.

(a) Borrowing money on the credit of the Company other than in the ordinary course of business of the Company or in an aggregate amount exceeding \$500,000.

(b) To sell, transfer, mortgage, lease, otherwise dispose of all or any substantial part of the assets of the Company.

(c) Construct any capital improvements, repairs, alterations or changes to the Hospital involving an aggregate amount in excess of \$250,000 in any calendar year.

(d) To acquire Membership Interests involving an aggregate expenditure in any calendar year in excess of \$100,000.

(e) To enter into a management agreement in respect to the Hospital having a term in excess of three (3) years or providing for aggregate fees in excess of \$1,000,000.

(f) To acquire or merge with any other health care facility.

## ARTICLE 9 INDEMNIFICATION

9.1 Authority to Indemnify. The Company shall indemnify an individual made a party to a proceeding, because such individual is or was a Responsible Person, against liability incurred in the proceeding if the Responsible Person satisfies the following standard of conduct: (a) The Responsible Person's conduct was in good faith and the Responsible Person reasonably believed (i) in the case of conduct in the Responsible Person's official capacity with the Company, that his or her conduct was in the best interest of the Company and (ii) in all other cases, that his or her conduct was at least not opposed to the Company's best interest; (b) in the case of any criminal proceeding, the Responsible Person had no reasonable cause to believe his or her conduct was unlawful; or (c) the Responsible Person's conduct with respect to an employee benefit plan for a purpose he or she reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies this Section 9.1(a). The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the Responsible Person did not satisfy the foregoing standard of conduct.

9.2 Limitations on Authority to Indemnify. Except as to court-ordered indemnification as provided in Section 9.5, the Company may not indemnify a Responsible Person (a) in connection with a proceeding by or in the right of the Company in which the

Responsible Person was adjudged liable to the Company, and (b) in connection with any other proceeding charging improper personal benefit to such Responsible Person, whether or not involving action in the Responsible Person's official capacity, in which the Responsible Person was adjudged liable on the basis that personal benefit was improperly received by such Responsible Person.

9.3 Mandatory Indemnification. The Company shall indemnify a Responsible Person who is or was wholly successful, on the merits or otherwise, in the defense of any proceeding to which such Responsible Person was a party because he or she is or was a Responsible Person of the Company against reasonable expenses incurred in connection with the proceeding.

9.4 Advances for Expenses. The Company shall pay for or reimburse the reasonable expenses a Responsible Person who is a party to a proceeding in advance of final disposition of the proceeding if: (a) The Responsible Person furnishes to the Company a written affirmation of his or her good faith belief that he or she has satisfied the standard of conduct set forth in Section 9.1; (b) the Responsible Person furnishes to the Company a written undertaking (which shall be an unlimited general obligation of the Responsible Person but need not be secured and may be accepted by the Company without reference to financial ability to repay), executed personally on his or her behalf, to repay the advance if it is ultimately determined that he or she is not entitled to indemnification; and (c) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 9.6.

9.5 Court-Ordered Indemnification. A Responsible Person of the Company who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application for indemnification, the court, after giving any notice the court considers necessary, may order indemnification if it determines: (a) That the Responsible Person is entitled to mandatory indemnification as set forth in Section 9.3, in which case the court shall also order the Company to pay the Responsible Person's reasonable expenses incurred to obtain court ordered indemnification; or (b) that the Responsible Person is fairly and reasonably entitled to indemnification in view of all relevant circumstances, whether or not the Responsible Person has satisfied the standard of conduct set forth in Section 9.1 or was adjudged liable as set forth in Section 9.2, but if adjudged so liable indemnification is limited to reasonable expense incurred by the Responsible Person.

9.6 Determination and Authorization of Indemnification. Except as to court-ordered indemnification as provided in Section 9.5, the Company may not indemnify a Responsible Person under Section 9.1 unless authorized in the specific case after a determination has been made that indemnification of the Responsible Person is permissible in the circumstances because the Responsible Person has satisfied the standard of conduct set forth in Section 9.1. The determination shall be made: (a) by the Members holding a majority of the Percentage Interests of the Company who are not at the time parties to the proceeding; (b) if a quorum cannot be obtained under Section 9.6(a), by the Members holding a majority of the Percentage Interests of the Members appointed to a committee duly designated by the Members (in which designation Members at the time parties to the proceeding may participate), consisting solely of two (2) or more Members not at the time parties to the proceeding; or (c) by independent legal counsel (i) selected by the Members or by a committee in the manner set forth in Section 9.6(a) or (b), respectively; or (ii) if a quorum of the Members cannot be obtained under Section 9.6(a) and a

committee cannot be designated under Section 9.6(b), selected by the Members holding a majority of the Membership Voting Power.

Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible as provided in this Section 9.6, except that if the determination is made by special legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses shall be made by those entitled under Section 9.6(c) to select special legal counsel.

9.7 Indemnification of Directors, Managers, Employees and Agents. A Director or Manager of the Company who is not a Responsible Person is entitled to mandatory indemnification as provided in Section 9.3, and is entitled to apply for court-ordered indemnification as provided in Section 9.5, in each case to the same extent as a Responsible Person. The Company shall indemnify and advance expenses to a Director or Manager, and may indemnify and advance expenses to any employee, independent contractor or agent of the Company who is not a Responsible Person to the same extent as a Responsible Person. The Company may also indemnify and advance expenses to a Director, Manager, employee, independent contractor or agent who is not a Responsible Person to the same extent as a Responsible Person, consistent with public policy, by specific action of the Members or by contract.

9.8 Insurance. The Company may purchase and maintain insurance on behalf of an individual who is or was a Responsible Person, Director, Manager, employee, independent contractor or agent of the Company or who, while a Responsible Person, Director, Manager, employee, independent contractor or agent of the Company, is or was serving at the request of the Company as a responsible person, manager, employee, independent contractor, agent, partner or trustee of another foreign or domestic limited liability company, corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by such individual in that capacity or arising from such individual's status as a Responsible Person, Director, Manager, employee, independent contractor or agent of the Company whether or not the Company would have the power to indemnify such individual against the same liability as provided in Sections 9.1, 9.2 or 9.3 hereof.

9.9 Non-Exclusive Right. The indemnification and advancement of expenses granted pursuant to, or provided by this Article 9 shall not be deemed exclusive of any other rights to which a Responsible Person seeking indemnification or advancement of expenses may be entitled, whether contained in this Article 9, the Articles of Organization of the Company, in the Act, in a resolution of the Members, or an agreement providing for such indemnification; provided, however, that no indemnification may be made to or on behalf of any Responsible Person if a judgment or other final adjudication adverse to the Responsible Person establishes his or her liability: (a) for any breach of duty of loyalty to the Company or its Members; (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or (c) for any liability for wrongful distributions incurred under the Act.

Nothing in this Section 9.9 shall affect any rights to indemnification to which the Company's personnel, other than Responsible Persons, may be entitled by contract or otherwise under law. This Section 9.9 does not limit the Company's power to pay or reimburse expenses

incurred by a Responsible Person in connection with his or her appearance as a witness in a proceeding at a time when he or she has not been named defendant or respondent to the proceeding.

## **ARTICLE 10 FISCAL MATTERS**

10.1 Books and Records. Full and accurate books and records of the Company (including without limitation all information and records required by the Act), shall be maintained on an accrual basis in accordance with customary accounting procedures, at its principal executive office showing all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Company's business and affairs. All Members shall have access at all times to the books and records of the Company, during regular business hours, at the Company's principal executive office, upon provision of notice in writing by any Member to the Company at least five (5) business days before the date on which any Member desires to inspect said books and records.

10.2 Fiscal Year. The fiscal year of the Company shall end on December 31 of each year.

10.3 Tax Status; Elections. Notwithstanding any provision hereof to the contrary, solely for purposes of the United States federal income tax laws, each of the Members hereby recognizes that the Company will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the Code; provided, however, the filing of U.S. Partnership Returns of Income shall not be construed to extend the purposes of the Company or expand the obligations or liabilities of the Members.

10.4 Reports to Members. Each of the following reports shall be prepared at the Company's expense, and shall be delivered to each Member upon written request by the Member:

(a) Within seventy-five (75) days after the end of each fiscal year, all information necessary for the preparation of the Members' federal, state and local income tax returns;

(b) Within one hundred twenty (120) days after the end of each fiscal year, an annual report of the activities of the Company, including a balance sheet, income statement and a statement of cash flow, and such annual report shall contain a complete statement of all compensation and fees paid or accrued by the Company to the Managers; and

(c) Any Member may obtain, at such Member's expense, such other reports on the Company's operations and conditions as such Member may reasonably request, which reports shall be mailed by the Company within one (1) month after notice of such Member's request.

10.5 Accounting Decisions. All decisions as to accounting and taxation matters shall be made by the Board. Such decisions must be satisfactory to the Company's accountants.

10.6 Bank Accounts. All funds of the Company shall be deposited in its name at its principal financial institution, or other financial institution approved by the Members.

10.7 Tax Matters Member. The Tax Matters Member ("TMM") is responsible for all administrative and judicial proceedings for the assessment and collection of tax deficiencies or the refund of tax overpayments arising out of a Member's distributive share of items of income, deduction, credit and/or of any other Company item (as that term is defined in the Code or in regulations issued by the Internal Revenue Service) allocated to the Members affecting any Member's tax liability.

The TMM shall promptly give notice to all Members of any administrative or judicial proceeding pending before the Internal Revenue Service involving any Company item and the progress of any such proceeding. Such notice shall be in compliance with such regulations as are issued by the Internal Revenue Service.

The TMM shall have all the powers provided to a tax matters partner in Sections 6221 through 6233 of Code, including the specific power to extend the statute of limitations with respect to any matter which is attributable to any Company item or affecting any item pending before the Internal Revenue Service and to select the forum to litigate any tax issue or liability arising from Company items.

The TMM shall be the Member designated as such on Schedule A. The TMM may resign his position by giving thirty (30) days written notice to all Members, whereupon the Members shall designate a new TMM. The TMM shall be entitled to reimbursement for any and all reasonable expenses incurred with respect to any administrative and/or judicial proceedings affecting the Company.

## ARTICLE 11 TERMINATION OF MEMBERSHIP INTEREST

11.1 Termination of Interest. A Member's continued Membership in the Company shall terminate upon the: (a) death of the Member; (b) withdrawal of the Member; (c) mental incapacity of the Member; (d) acquisition of the Member's complete Membership Interest by the Company; (e) assignment of the Member's Governance Rights which leaves the Member with no Governance Rights; (f) bankruptcy of the Member; (g) dissolution of the Member; (h) a merger in which the Company is not the surviving organization; (i) if so determined by a majority of the non-affected Members, a Member's violation of Section 8.9 of this Agreement; and (j) the occurrence of any other event that terminates the continued membership of the Member in the Company.

11.2 Withdrawal. Each Member has the power under the Act to terminate such Member's Membership Interest by withdrawing at any time. Notwithstanding the foregoing, a Member does not have the right under this Agreement to withdraw from the Company, to assign his or her Governance Rights except as provided in Article 12 hereof, to become bankrupt, to dissolve, or to otherwise terminate his or her Membership Interest other than in the manner designated in Section 11.1(a), (c), (d), or (h).

11.3 General Effect of Termination of Interest. The termination of a Member's Interest, whether rightful or wrongful under this Agreement, causes dissolution and termination of the Company unless the existence and business of the Company is continued by the consent of a majority in interest of the remaining Members under a right to do so stated in the Articles of Organization but in no event by less than a majority in interest of the remaining Members as defined in Revenue Procedure 94-46, provided that such consent is obtained no later than ninety (90) days after the termination of the Membership, Interest.

11.4 Effect of Termination of Membership on Governance Rights. If for any reason the Membership Interest of a Member is terminated, then (a) if the business of the Company is continued, the Member whose membership is terminated loses all Governance Rights and will be considered merely an assignee of the Financial Rights owned before the termination of such Membership Interest; and (b) if the business of the Company is not continued, the Member whose Membership Interest is terminated retains all Governance Rights owned before the termination of such Membership Interest and may exercise those rights through the winding up and termination of the Company.

11.5 Additional Effects if Termination of Membership is Wrongful. If a Member withdraws in violation of this Agreement, in particular Section 11.2 above, then such withdrawal has the following additional effects:

(a) The Member who has wrongfully withdrawn forfeits Governance Rights in the winding up and termination process or in the continued business.

(b) The Member who has wrongfully withdrawn, is liable to all the other Members and to the Company to the extent damaged, including the loss of foregone profits, by the wrongful withdrawal.

(c) In lieu of establishing damages for lost profits, those Members who have not wrongfully withdrawn may, by the affirmative vote of such Members holding a majority of the Membership Voting Power of such Members, elect to reduce the value of the interest of the Member or Members who wrongfully withdrew by the goodwill and going concern value attributable to such interest. For the purposes of this subsection (c), the Member's agree that the goodwill and going concern value attributable to such interest shall be valued at twenty percent (20%) of the withdrawing Member's Percentage Interest in the capital and profits of the Company.

(d) If the existence and business of the Company is not continued, the Member that wrongfully withdrew is entitled to that Member's distribution provided for with respect to dissolution and termination of the Company under Article 13 hereof, provided that the Company may offset against such distribution the amount of damages caused to the Company, including the loss of foregone profits, by the wrongful withdrawal or if the Members who have not wrongfully withdrawn have made the election contemplated by subsection (c) above, the Company may reduce such distribution by the goodwill and going concern value attributable to the Member who has wrongfully withdrawn.

(c) If the existence and business of the Company is continued, the Member who has wrongfully withdrawn has the right against the continuing Company to have paid in cash, at the option of the continuing Company, (i) the value of such Member's Membership Interest less any damages caused to the other Members and the Company, or (ii) the value of the Membership Interest less goodwill and going concern value as determined pursuant to subsection (c) hereof. The price to be paid for such Membership Interest shall be determined in the manner prescribed in Section 4.6 hereof and then reduced by the amount prescribed in item (i) or (ii) hereof, as the case may be.

11.6 Additional Effects If Termination of Membership Interest is Not Wrongful. If the withdrawal of the Member is not in contravention of this Agreement and if the existence and business of the Company is continued, the Member who has withdrawn, his or her estate or personal representative has the right as against the continuing Company to be paid in cash equivalent to the value of such interest and the Company has the option to acquire such interest for cash equivalent to the value of such interest. The foregoing option of the withdrawing Member or the Company, as the case may be, must be exercised by notice to the other party within one (1) year following the date of withdrawal. In the event such option is exercised, the provisions of Section 4.6 hereof shall govern in respect of the valuation, closing, and payment for such interest.

## ARTICLE 12 ASSIGNMENT

12.1 Restriction on Assignment. Except as otherwise expressly provided in this Agreement, no Member shall assign such Member's Membership Interest, Financial Rights, or Governance Rights except as expressly permitted in this Article 12.

12.2 Definition of "Assignment". For purposes of this Article 12, the words "assign" or "assignment" shall mean and include any transfer, alienation, sale, assignment, pledge, grant of a security interest, or other disposition of a Membership Interest, Financial Rights, or Governance Rights, whether voluntarily or by operation of law.

12.3 Non-Assignment Period. Except as provided in herein, no Member may voluntarily assign, in whole or in part, its Membership Interest without the prior written consent of the Board for a period of two (2) years from the date hereof ("Non-Assignment Period"). Any attempt to do so shall be void and of no force and effect, and shall constitute a breach of this Agreement.

12.4 Voluntary Assignments. After the Non-Assignment Period, a Member may voluntarily assign his Membership Interest. The Member that desires to assign his Membership Interest (the "Transferring Person"), shall first give the Company the option to buy such Membership Interest as

(a) The Transferring Person shall deliver written notice to the Board, which notice shall state the name of the prospective purchaser and the price and terms offered by such prospective purchaser.

(b) The Company shall have an option, at the discretion of the Board, to purchase such Membership Interest from the Transferring Person at the price and on the same terms set forth in such written notice, or at the appraised value and on the same terms as determined pursuant to the appraisal method prescribed in Section 4.6 above; provided, however, in this case, the cost of the appraisal shall be allocated as follows:

(i) In the event that the appraised value differs from the price offered by the prospective purchaser by five percent (5%) or less, the Company shall bear the entire cost of the appraisal;

(ii) In the event that the appraised value differs from the offered purchase price by more than five percent (5%) and less than fifteen percent (15%), the cost of the appraisal shall be borne equally by the Company and the Transferring Person;

(iii) If the appraised value differs from the offered purchase price by fifteen percent (15%) or more, the Transferring Person shall bear the entire cost of the appraisal.

(c) In the event that said option is not exercised within thirty (30) days after the Company is notified of the Assignment, the same shall expire and be of no force and effect, and the Transferring Person may then consummate the proposed assignment of Membership Interest to such person. In no event, however, shall the Membership Interest of the Transferring Person be sold to another party for less than the price stated in the written notice aforesaid or on terms and conditions materially different from those stated in the written notice; or if the proposed sale is not consummated within ninety (90) days after the close of such thirty (30) day period, the Transferring Person shall not make a restricted assignment of his Membership Interest in the Company without again offering the Company the option to purchase as provided above.

(d) Notwithstanding the foregoing, a Member shall be permitted to make the following assignment after the Non-Assignment Period without being subject to the requirements of Section 12.4(a) - (c):

(i) An Assignment of such Member's Membership Interest to another Member.

(ii) An Assignment of such Member's Financial Rights to a person deemed to be "related" to the Member within the meaning of Section 267 (c)(4) of the Code for bona fide estate planning purposes.

(iii) A pledge of the Member's Financial Rights as security for a specific indebtedness upon the condition that any sale or foreclosure of such Financial Rights shall be in accordance with the provisions of Section 12.4(a)-(c) hereof

12.5 Transferee to Assume Company Obligations. In the event that, pursuant to this Article 12, any Member transfers or assigns such Member's Membership Interest in the Company to any person or entity other than one or more of the other Members or the Company, no such transfer shall become effective until the proposed transferee agrees in writing to assume



and be bound by all the obligations and restrictions to which the transferor Member is subject under the terms of this Agreement and any further agreement with respect to the business of the Company.

12.6 Other Approvals. In the event that, pursuant to the terms of any loan agreement, security agreement, deed of trust or other agreement existing at any time between the Company and any lender, the approval of such lender is required prior to the time that any transfer or assignment of any Membership Interest, Governance Rights, or Financial Rights in the Company may occur, then, notwithstanding any provision of this Agreement to the contrary, no such assignment shall be effective until all required approvals and/or consents of any such lender have been obtained. Likewise, if such assignment made without necessary approvals would cause the Company to be in violation of the terms of the partnership agreement of any partnership in which the Company is then a partner, the shareholder's agreement of any Corporation in which the Company is a shareholder, or the Articles of Organization/Organization or Operating Agreement of any other limited liability company in which the Company is a Member, the required approvals, of all necessary parties to such assignment shall be required before such assignment shall be effective.

12.7 Approval of Tax Termination's. In no event may any Member transfer or assign all or any part of such Member's Membership Interest in the Company, no new Member shall be admitted to the Company, and no Member shall withdraw from the Company if such action would result in a sale or exchange of fifty percent (50%) or more of the total interest in the capital and profits of the Company within a twelve month period, such that the Company would be considered as terminated under Section 708 of the Code, or so as to prevent the Company from continuing the use of accelerated methods of depreciation theretofore used by the Company in connection with depreciable property of the Company, without the prior approval of a majority of the Membership Voting Power.

### ARTICLE 13 TERM, TERMINATION, WINDING UP

13.1 Term. The term of the Company shall commence on the date of this Agreement and shall continue until terminated in accordance with the provisions hereof or as provided by law.

13.2 Events Causing Dissolution and Winding Up. The Company shall be dissolved and its affairs wound up (a) upon the expiration of the term of the Company stated in Section 13.1; (b) upon the sale of all or substantially all of the assets of the Company and the distribution of the net proceeds therefrom; (c) in the event of the death, retirement, withdrawal, physical or mental incapacity, bankruptcy or any other event that terminates the continued membership of any Member (unless the Members continue the Company as provided in Section 11.3 hereof); (d) in the event that the Company shall fail to fulfill its obligations to acquire the Membership Interest of a Member who has withdrawn pursuant to Article 11 hercof, (c) upon approval of dissolution, as proposed to the Members by the Board, by the Members holding a majority of the Membership Voting Power or (f) as may be otherwise provided by law. The Company shall be terminated when the winding up of Company affairs has been completed following dissolution. The transfer or assignment of all or any part of a Membership Interest if in accordance with the

provisions of Section 4.6, Article 11, or Article 12 shall not constitute a dissolution of the Company.

13.3 Winding Up Affairs on Dissolution. Upon dissolution of the Company, the Board or the other persons required or permitted by law to carry out the winding up of the affairs of the Company shall promptly notify all Members of such dissolution; shall wind up the affairs of the Company; shall prepare and file all instruments or documents required by law to be filed to reflect the dissolution of the Company; and, after paying or providing for the payment of all liabilities and obligations of the Company, shall distribute the assets of the Company as provided by the terms of this Agreement.

13.4 Distribution Upon Dissolution. Upon dissolution of the Company and the sale of its assets, the proceeds of such sale or the assets of the Company shall be allocated as set forth below:

- (a) To pay all outstanding liabilities and expenses of the Company;
- (b) To establish such reserves for unknown or contingent liabilities, including without limitation reserves for environmental matters, as the Members may determine;
- (c) To each Member an amount equal to such Member's Capital Account balance as of the date of dissolution (after giving effect to the allocation of all Net Profits and Net Losses realized upon dissolution) or a pro rata portion thereof if the total assets to be distributed is less than the total Capital Account balance of the Company; and
- (d) Any remaining balance shall be distributed to the Members (and each holder of Financial Rights) in proportion to their Financial Rights.

13.5 Waiver of Right to Partition and Decree of Dissolution. As a material inducement to each Member to execute this Agreement, each Member covenants and represents to each other Member that, during the existence of the Company, no Member, nor such Member's heirs, representatives, successors, transferees or assigns, will attempt to make any partition of any Company assets whether now owned or hereafter acquired, and each Member waives all rights of partition provided by statute or principles of law or equity, including partition in kind or partition by sale. The Members agree that irreparable damage would be done to the goodwill and reputation of the Company if any Member should bring an action in a court to dissolve the Company. The Members agree that there are fair and just provisions for payment and liquidation of the interest of any Member, and fair and just provisions to prevent a Member from selling or otherwise alienating such Member's interest in the Company. Accordingly, each Member hereby waives and renounces such Member's right to such a court decree of dissolution or to seek the appointment by court of a liquidator or receiver for the Company.

## ARTICLE 14 GENERAL PROVISIONS

14.1 Notices. Any notice given hereunder shall be deemed duly given (a) three (3) days after being mailed by registered or certified mail, return receipt requested, postage and registration or certification charges prepaid, or (b) one (1) business day after being deposited

with a national, overnight air courier service, marked for delivery on the next business day, addressed:

(a) in the case of the Company, to 1001 McArthur Blvd., Manchester, Tennessee 37355;

(b) in the case of any Member, to the address set forth on Schedule A;

or to such address as any party may specify in writing to the other parties. Notwithstanding the foregoing, any notice shall be deemed given upon deposit in the mail or with the overnight air courier if simultaneously confirmed by facsimile to the necessary parties as specified above. Any party hereto may change its address for service of such notices to such other address as said party shall designate by written notice given to the others as herein provided at least ten (10) days prior to the effective date of said change of address. If any such changed address shall be outside the United States of America, the effective time for notices by mail shall be extended by three (3) business days and the effective time for all other forms of notices shall be extended by two (2) business days.

14.2 Integration. This Agreement embodies the entire agreement and understanding among the Members and supersedes all prior agreements and understandings including the Subscription Agreement, if any, among and between the Members relating to the subject matter hereof.

14.3 Applicable Law. This Agreement and the rights of the Members shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee.

14.4 Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee. This Agreement and its subject matter have substantial contacts with Tennessee, and all actions, suits, or other proceedings with respect to this Agreement shall be brought only in a court of competent jurisdiction sitting in Cannon County, Tennessee, or in the Federal District Court having jurisdiction over that County. In any such action, suit, or proceeding, such court shall have personal jurisdiction of all of the parties hereto, and service of process upon them under any applicable statutes, laws, and rules shall be deemed valid and good.

14.5 Attorney's Fees. In the event the Company or any party to this Agreement should initiate litigation against the Company or any other party to obtain a judicial construction of this Agreement or to secure enforcement thereof, the attorney's fees and expenses of the prevailing party in such proceeding shall be paid by the non-prevailing party.

14.6 Severability. In case any one or more of the provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

14.7 Binding Effect. Except as herein otherwise provided to the contrary, this Agreement shall be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors, transferees and assigns.

14.8 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, shall include all other genders; and the singular shall include the plural, and vice versa. Titles of Articles and Sections are for convenience only and neither limit no, amplify the provisions of this Agreement itself

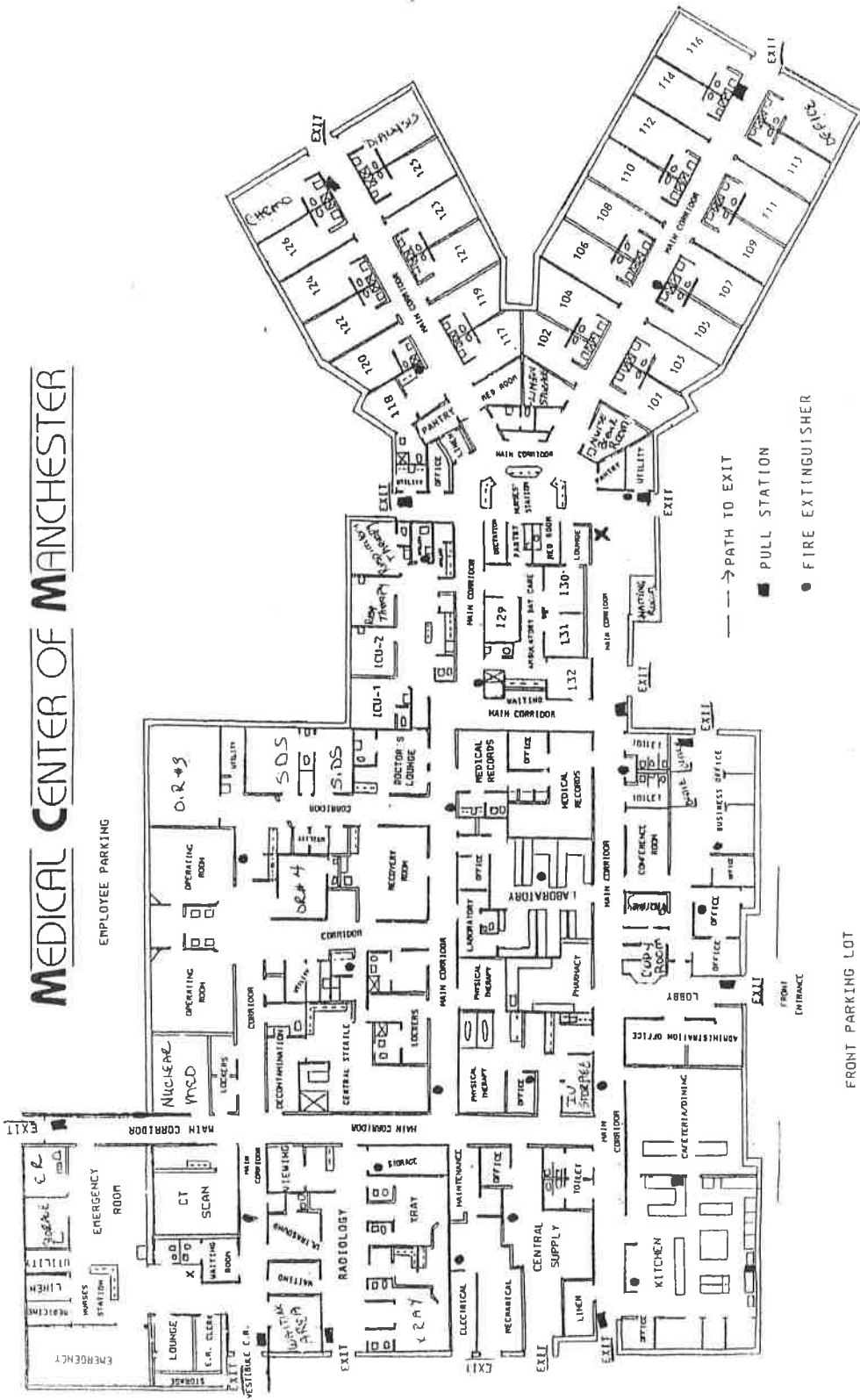
14.9 Amendment. This Agreement may be amended, modified or supplemented only by a writing executed by each of the Members or approved by the Members. Unless a greater vote is required by this Agreement, the Company's Articles of Organization, or the Act, a majority of the Membership Voting Power shall be required to approve such amendment. The Secretary/Counsel shall certify the adoption of any amendments approved by the Members and revise Schedule A to reflect any action taken by the Members pursuant to this Section 14.9 or as otherwise necessary to correct or revise the information contained thereon in accordance with this Agreement or action of the Members.

14.10 Counterparts. This Agreement may be signed in one or more counterparts each of which when placed together shall constitute one document.



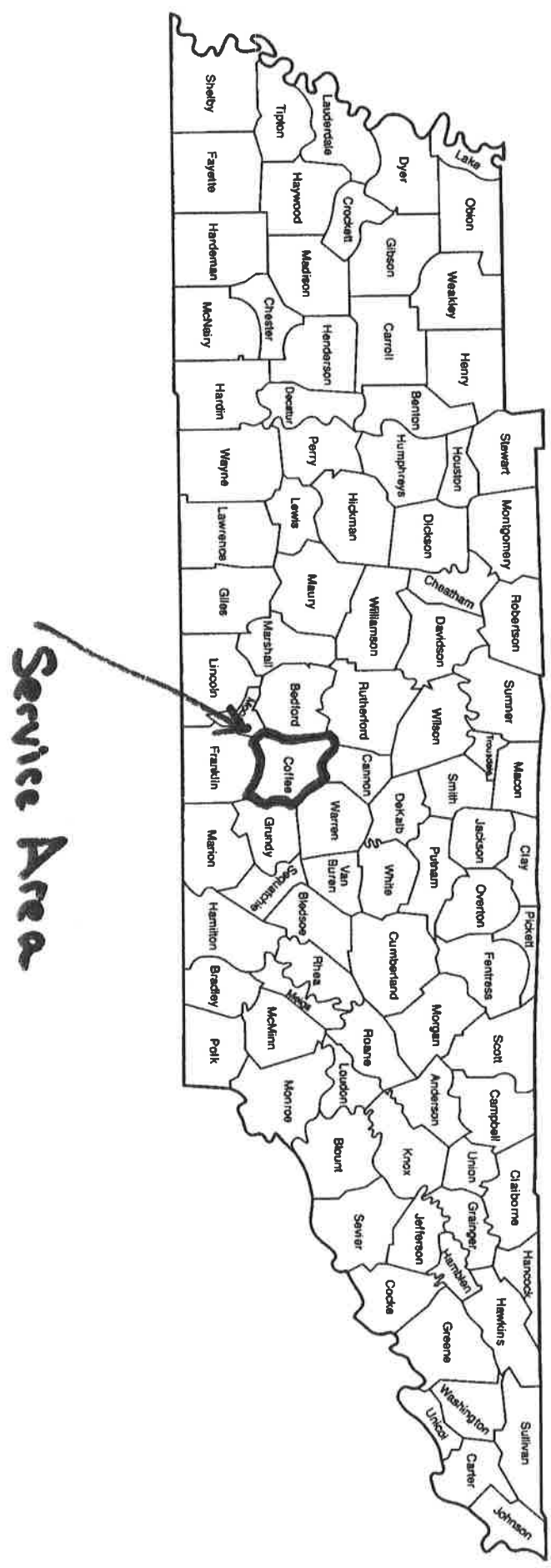
NOTE: BOUNDARY & TOPOGRAPHIC INFORMATION TAKEN FROM DRAWINGS BY ENGINEERING

# MEDICAL CENTER OF MANCHESTER



FRONT PARKING LOT

Attachment C.Need.3



# Attachment C.Need.4.A.

## People QuickFacts

	Manchester	Tennessee
Population, 2014 estimate	10,349	6,549,352
Population, 2013 estimate	10,251	6,497,269
Population, 2010 (April 1) estimates base	10,113	6,346,275
Population, percent change - April 1, 2010 to July 1, 2014	2.3%	3.2%
Population, percent change - April 1, 2010 to July 1, 2013	1.4%	2.4%
Population, 2010	10,102	6,346,105
Persons under 5 years, percent, 2010	7.5%	6.4%
Persons under 18 years, percent, 2010	23.9%	23.6%
Persons 65 years and over, percent, 2010	16.9%	13.4%
Female persons, percent, 2010	52.1%	51.3%
White alone, percent, 2010 (a)	90.4%	77.6%
Black or African American alone, percent, 2010 (a)	3.4%	16.7%
American Indian and Alaska Native alone, percent, 2010 (a)	0.2%	0.3%
Asian alone, percent, 2010 (a)	1.1%	1.4%
Native Hawaiian and Other Pacific Islander alone, percent, 2010 (a)	0.1%	0.1%
Two or More Races, percent, 2010	2.0%	1.7%
Hispanic or Latino, percent, 2010 (b)	7.0%	4.6%
White alone, not Hispanic or Latino, percent, 2010	86.5%	75.6%
Living in same house 1 year & over, percent, 2009-2013	80.3%	84.6%
Foreign born persons, percent, 2009-2013	6.9%	4.6%
Language other than English spoken at home, pct age 5+, 2009-2013	9.3%	6.6%
High school graduate or higher, percent of persons age 25+, 2009-2013	77.1%	84.4%
Bachelor's degree or higher, percent of persons age 25+, 2009-2013	17.6%	23.8%
Veterans, 2009-2013	746	484,901
Mean travel time to work (minutes), workers age 16+, 2009-2013	20.8	24.3
Housing units, 2010	4,525	2,812,133
Homeownership rate, 2009-2013	52.3%	67.8%
Housing units in multi-unit structures, percent, 2009-2013	26.2%	18.3%
Median value of owner-occupied housing units, 2009-2013	\$106,900	\$139,200
Households, 2009-2013	3,973	2,475,195
Persons per household, 2009-2013	2.45	2.52
Per capita money income in past 12 months (2013 dollars), 2009-2013	\$19,137	\$24,409
Median household income, 2009-2013	\$34,072	\$44,298
Persons below poverty level, percent, 2009-2013	25.7%	17.6%

## Geography QuickFacts

	Manchester	Tennessee
Land area in square miles, 2010	14.15	41,234.90
Persons per square mile, 2010	714.1	153.9
FIPS Code	45500	47
Counties	Coffee County	

(a) Includes persons reporting only one race.

(b) Hispanics may be of any race, so also are included in applicable race categories.

FN: Footnote on this item for this area in place of data

NA: Not available

D: Suppressed to avoid disclosure of confidential information

X: Not applicable

S: Suppressed; does not meet publication standards

Z: Value greater than zero but less than half unit of measure shown

F: Fewer than 100 firms

Source: US Census Bureau State & County QuickFacts



**Unity Medical Center  
\$13,200,000 Senior Credit Facilities  
Commitment Letter  
August 3, 2015**

**ServisFirst Bank is pleased to commit to closing and funding credit facilities with terms and conditions that are substantially covered below and attached.**

*Ch. [Signature]* 8-3-15

**Borrowers:** Coffee Medical Group, LLC d/b/a United Regional Medical Center and Coffee County Hospital Group, as Co-Borrowers

**Guarantors:** A group of individual owners of Borrower will provide pro-rata personal guaranties in an aggregate amount of at least \$15,000,000

**Lender:** ServisFirst Bank

**Credit Facilities:** Up to \$13,200,000 in credit facilities structured as follows:  
 1. \$12,450,000 senior secured term loan  
 2. \$750,000 revolving line of credit

**Maturity:**  
 1. 5 years  
 2. 2 years

**Amortization:**  
 Facility #1: 15 years  
 Facility #2: Interest only monthly, with all outstanding principal and accrued interest due at maturity.

**Prepayment Penalty:** 2% within first year from closing, reducing to 1% during second and third year. If the loan is paid off after third year, no penalty will be assessed. The pre-payment penalty is only applicable if the proceeds are the result of a refinance with another senior lender and ServisFirst did not have an opportunity to propose terms.

**Security:** Title Insured First Deed of Trust on Medical Center of Manchester facility and 8.1 acres located at 481 Interstate Drive, Manchester, TN 37355 plus an Assignment of Rents and Leases on the property.  
  
 Lender will take pledge of at least 51% stock in Coffee Medical Group LLC, a first lien position on all assets of the Borrower; including, accounts receivable, equipment, real estate, and intangible, plus an assignment of all licenses, permits and contracts required for operating the business.

Attachment C: Economic - 2 pg 6 or 7

**Interest Rate:**

1. Fixed rate of 4.85% (based upon a spread of 3.25% over the 5-year treasury, subject to fluctuate between commitment and closing)
2. Floating at 30-day LIBOR plus 4.00%

**Fees:**

1. 0.65% loan origination fee paid to Lender at closing
2. None

**Financial Covenants:**

To Be Determined. Expected to include, but not be limited to:

**Debt Service Coverage Ratio (DSCR) of at least 1.30x** to be measured quarterly on a 2 quarter, annualized basis for 12/31/15, then moving to 3 quarter annualized basis at 3/31/16 and a full year basis as of 6/30/16. DSCR to be defined as EBITDA divided by the sum of scheduled principal payments and interest expense. EBITDA definition to exclude non-recurring income and expenses.

**Senior Funded Debt to EBITDA not to exceed 3.50X** to be based upon financial performance post-consolidation and would gradually step down. EBITDA will be calculated consistent with the DSCR ratio described above. Thresholds to be determined.

**Reporting Requirements:**

Standard for a transaction of this type; to include but not be limited to:

- (a) Quarterly Consolidated and Consolidating Financial Statements; including income statement, balance sheet, and statement of cash flows, and census/operating statistics.
- (b) Annual Audited Financial Statements within 120 days of FYE;
- (c) Annual Budget, on a consolidated and consolidating basis, prior to each fiscal year; and
- (d) Quarterly Compliance Certificate signed by CFO or Treasurer.
- (e) Annual Personal Financial Statement from each individual Guarantor
- (f) Annual complete personal tax returns from Guarantors.

**Other Covenants and Requirements:**

Standard for a transaction of this type; to include but not be limited to:

- a) Preservation of Corporate Existence
- b) Material Compliance with Laws, and payment of taxes, etc.
- c) Maintenance of properties including all equipment and real estate
- d) Maintenance of insurance in amounts acceptable to the Bank
- e) Subordination of seller notes with maturity on the notes to be at least 6 months after the maturity of the senior debt. Payments will be allowed on the seller debt so long as the Borrower remains in compliance with senior financing covenants. In the event of default on the senior debt, the Sellers will be subject to an unlimited standstill provision.
- f) Negative Pledge of URM campus. The sale of the campus is permitted with the application of proceeds to be determined.

- g) Real Estate diligence such as title insurance, survey, and environmental.
- h) Limitation on additional debt and liens, except for subordinated seller notes.
- i) Limitations on mergers and acquisitions, disposal of assets, capital expenditures, guarantees, etc. at levels to be determined.
- j) Borrowers will move all depository accounts and treasury management services to ServisFirst Bank within 60 days of loan closing.

**Conditions Precedent:**

Standard for a transaction of this type, including, but not limited to:

- (a) Bank receipt and review of operating / organizational documents, and applicable real estate due diligence and documentation.
- (b) Receipt and technical review of the business / real estate appraisal provided from Principle Valuation. In the event the report is not accepted during the review, the Lender would require another appraisal on the real estate, at a minimum.
- (c) Verification of proforma EBITDA versus historical EBITDA.
- (d) Receipt of Guarantor financial information.
- (e) Bank completion legal documentation and due diligence.

**Legal Fees and Expenses:**

All legal fees and expenses of the Bank and their counsel plus out of pocket expenses incurred shall be paid by Borrower. *Bank agrees to pay for appraisal related costs associated with finalizing the Principle report and obtaining the VMG (bank vendor) appraisal review.*

ServisFirst Bank is pleased to commit to closing and funding credit facilities with terms and conditions that are substantially covered below and attached.

## UNITED REGIONAL MEDICAL CENTER

## BALANCE SHEET

December 31, 2014

	<u>This Month</u>	<u>Last Month</u>	<u>12/31/2013</u>
<b>CURRENT ASSETS</b>			
CASH & CASH EQUIVALENTS	(17,665)	11,796	185,765
<b>TOTAL CASH</b>	<b>\$ (17,665)</b>	<b>\$ 11,796</b>	<b>\$ 185,765</b>
<b>PATIENT RECEIVABLES</b>			
HOSPITAL	6,266,075	6,028,840	5,230,781
NURSING HOME	202,327	202,327	202,327
THIRD PARTY SETTLEMENT	41,758	24,555	32,044
LESS: RESERVES	(3,680,280)	(3,471,705)	(2,614,319)
OTHER RECEIVABLES	1,207,908	1,360,545	1,384,795
<b>NET RECEIVABLES</b>	<b>\$ 4,037,788</b>	<b>\$ 4,144,562</b>	<b>\$ 4,235,628</b>
<b>OTHER CURRENT ASSETS</b>			
INVENTORIES	308,288	328,213	330,807
PREPAID EXPENSES	57,661	83,980	40,798
DEPOSITS	(60,000)	(99,456)	(131,066)
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 305,949</b>	<b>\$ 312,738</b>	<b>\$ 240,539</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>			
PLANT AND EQUIPMENT	9,617,447	9,605,836	9,265,098
LESS: ACCUMULATED DEPRECIATION	(5,755,548)	(5,728,593)	(5,441,573)
<b>NET PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b>\$ 3,861,899</b>	<b>\$ 3,877,243</b>	<b>\$ 3,823,525</b>
<b>GOODWILL - PET CT</b>	<b>\$ 498,321</b>	<b>\$ 498,321</b>	<b>\$ 498,321</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,686,293</b>	<b>\$ 8,844,661</b>	<b>\$ 8,983,778</b>
	=====	=====	=====
<b>CURRENT LIABILITIES</b>			
ACCOUNTS PAYABLE	3,171,472	2,940,929	2,547,319
PAYABLE INS CLAIMS	178,367	348,937	294,774
PAYABLE OTHER	(4,730)	(10,403)	-
ACCRUED PAYROLL	231,729	194,632	222,914
PAYROLL WITHHOLDINGS	145,111	60,949	16,865
ACCRUED PTO	150,314	162,474	150,139
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 3,872,262</b>	<b>\$ 3,697,519</b>	<b>\$ 3,232,009</b>
<b>LONG TERM DEBT</b>			
NOTE REVAL FINANCIAL	1,543,553	1,549,977	1,704,778
NOTE SHAREHOLDERS	256,135	259,263	292,411
NOTE AMERICAN CITY BANK	169,254	170,752	187,174
NOTES COFFEE CO BANK	3,096,500	3,153,343	2,898,461
PHILIPS CAPITAL	-	-	28,150
BAPPA MUKHERJI	-	-	187,415
VAR RESOURCES	37,984	39,364	-
LOC - SECURITY FEDERAL	370,000	370,000	190,000
MED ONE CAPITAL	11,332	12,310	22,518
NOTE SHORT TERM	151,096	154,407	203,254
REPAYMENT OIG	800,000	800,000	800,000
<b>TOTAL LONG TERM LIABILITIES</b>	<b>\$ 6,435,854</b>	<b>\$ 6,509,415</b>	<b>\$ 6,514,161</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 10,308,116</b>	<b>\$ 10,206,933</b>	<b>\$ 9,746,169</b>
<b>FUND BALANCE</b>			
GENERAL FUND BALANCE	(5,516,892)	(5,516,892)	(5,524,725)
RESTRICTED FUNDS	4,754,500	4,754,500	4,754,500
<b>TOTAL FUND BALANCE</b>	<b>\$ (762,392)</b>	<b>\$ (762,392)</b>	<b>\$ (770,225)</b>
<b>CURRENT PROFIT/LOSS</b>	<b>\$ (859,432)</b>	<b>\$ (599,881)</b>	<b>\$ 7,833</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 8,686,292</b>	<b>\$ 8,844,661</b>	<b>\$ 8,983,778</b>
	=====	=====	=====

# Attachment c. Economic Feasibility-10

Page 2 of 3

## United Regional Medical Center Statement of Cash Flows December 31, 2014

	Month Dec-14	Year
<b>Cash Flows from Operating Activities</b>		
Net Income	(259,551)	(859,432)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation & amortization	26,956	313,975
Provision for doubtful accounts	208,575	1,065,961
Gain (Loss) on Investments		
<b>Change in operating assets &amp; liabilities:</b>		
(Increase) Decrease in Accts Rec	(84,599)	(858,408)
(Increase) Decrease in 3rd Party Settlements	(17,203)	(9,714)
(Increase) Decrease in Prepaids	26,319	(16,863)
(Increase) Decrease in Inventories	19,925	22,519
Increase (Decrease) in Accts Payable	65,645	503,017
Increase (Decrease) in Accrued Laib	<u>109,099</u>	<u>137,236</u>
<b>Net Cash Provided by Operations</b>	<b>95,166</b>	<b>298,292</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(11,611)	(352,349)
Notes Receivables	(39,456)	(71,066)
Other	0	0
Purchase of Investments	<u>0</u>	<u>0</u>
<b>Cash Provided by Investing activities</b>	<b>(51,066)</b>	<b>(423,415)</b>
<b>Cash Flow Provided by Financing Activities:</b>		
Net Change in Long-Term Debt	(71,204)	(76,955)
Capital Lease Payments	(2,357)	(1,352)
Line of Credit	0	0
Issuance of Dividends		
Issuance of Common Stock		
Repurchase of Commom Stock	<u>0</u>	<u>0</u>
<b>Cash Provided by Financing Activities</b>	<b>(73,561)</b>	<b>(78,307)</b>
<b>Increase in Cash and Equivalents</b>	<b>(29,461)</b>	<b>(203,430)</b>
<b>Beginning Cash Balance</b>	<b><u>11,796</u></b>	<b><u>185,765</u></b>
<b>Ending Cash Balance</b>	<b><u>(17,665)</u></b>	<b><u>(17,665)</u></b>

**United Regional Medical Center  
Hospital Income Statement  
December 31, 2014**

<u>Current</u> <u>Month</u> 8.6	<u>Prior</u> <u>Month</u> 8.3	<u>Revenue</u> <u>Average Daily Census</u>	<u>YTD</u> <u>2014</u> 9.1	<u>YTD</u> <u>12/31/2013</u> 11.4
271,588	365,914	I/P Medicare	4,343,287	5,824,461
38,715	34,059	I/P Medicaid	804,122	1,394,733
86,322	37,420	I/P Blue Cross	618,546	662,173
106,589	44,557	I/P Commercial	442,111	285,630
11,998	24,902	I/P Self Pay	384,489	553,224
<b>515,213</b>	<b>506,853</b>	<b>Total Inpatient Revenue</b>	<b>6,592,555</b>	<b>8,720,220</b>
609,828	496,280	O/P Medicare	7,816,473	9,720,048
377,557	346,572	O/P TennCare	5,459,212	7,055,969
357,309	352,641	O/P Blue Cross	4,621,459	4,408,965
226,316	213,252	O/P Commercial	2,929,497	2,907,595
198,424	167,749	O/P Self Pay	2,726,437	3,319,857
<b>1,769,434</b>	<b>1,576,494</b>	<b>Total Outpatient Revenue</b>	<b>23,553,078</b>	<b>27,412,434</b>
<b>2,284,647</b>	<b>2,083,346</b>	<b>Total Patient Revenue</b>	<b>30,145,633</b>	<b>36,132,654</b>
9,483	32,060	Other Operating Income	429,771	220,835
<b>2,294,130</b>	<b>2,115,406</b>	<b>Total Gross Revenue</b>	<b>30,575,404</b>	<b>36,353,489</b>
<b>Deductions</b>				
675,560	530,446	Medicare	7,246,269	9,135,882
279,077	283,831	TennCare	4,725,006	6,356,536
302,727	276,625	Blue Cross	3,399,454	3,202,552
116,216	127,545	Commercial	1,631,745	1,753,561
2,389	-	Charity	12,843	62,513
107,633	113,012	Other Deductions	1,384,111	1,490,896
201,023	331,405	Bad Debts	2,192,610	2,425,131
<b>1,684,625</b>	<b>1,662,864</b>	<b>Total Revenue Deductions</b>	<b>20,592,038</b>	<b>24,427,070</b>
<b>609,505</b>	<b>452,543</b>	<b>Total Net Revenue</b>	<b>9,983,366</b>	<b>11,926,419</b>
<b>26.3%</b>	<b>20.2%</b>	<b>PCR</b>	<b>31.7%</b>	<b>32.4%</b>
<b>Operating Expenses</b>				
382,029	380,623	Salaries & Wages	4,731,674	4,947,713
91,028	149,416	Benefits	1,094,002	927,649
70,483	38,710	Professional Fees	642,260	760,990
29,544	66,403	Contract Services	883,574	1,155,266
81,819	64,274	Supplies	1,139,721	1,787,460
18,404	16,782	Utilities	238,616	233,755
28,593	28,692	Repair & Maintenance	392,936	349,928
24,383	22,871	Rent & Lease	281,281	286,421
14,708	18,023	General Insurance	185,015	239,108
10,403	10,403	Taxes -Non Income	118,267	102,350
32,748	6,721	Other Expense	172,650	117,238
<b>784,141</b>	<b>802,918</b>	<b>Total Operating Expenses</b>	<b>9,879,996</b>	<b>10,907,879</b>
<b>(174,636)</b>	<b>(350,376)</b>	<b>EBDIT</b>	<b>103,370</b>	<b>1,018,540</b>
<b>Capital &amp; Other Expenses</b>				
26,956	23,238	Depreciation	313,975	388,649
18,586	18,586	Amortization	223,016	159,783
<b>45,542</b>	<b>41,824</b>	<b>Total</b>	<b>536,991</b>	<b>548,432</b>
<b>Other Non-Operating Exp</b>				
39,373	36,283	Interest	425,811	462,274
-	-	Gain/Loss Sale of Assets	0	0
<b>39,373</b>	<b>36,283</b>	<b>Total</b>	<b>425,811</b>	<b>462,274</b>
<b>84,915</b>	<b>78,107</b>	<b>Total Capital &amp; Other</b>	<b>962,802</b>	<b>1,010,706</b>
<b>(259,551)</b>	<b>(428,483)</b>	<b>Pre Tax Income</b>	<b>(859,432)</b>	<b>7,834</b>

**COFFEE MEDICAL GROUP, LLC d/b/a**  
**UNITED REGIONAL MEDICAL CENTER**

**Financial Statements**

**For the Years Ended**  
**December 31, 2013 and 2012**

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

December 31, 2013 and 2012

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## INDEPENDENT AUDITORS' REPORT

Member Directors  
Coffee Medical Group, LLC, d/b/a United Regional Medical Center

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Coffee Medical Group, LLC d/b/a United Regional Medical Center ("URMC"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income (loss), changes in members deficit, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

***Auditors' Responsibility (continued)***

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coffee Medical Group, LLC, d/b/a United Regional Medical Center, as of December 31, 2013 and 2012, and the results of its operations, changes in members' deficit, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that URMIC will continue as a going concern. As discussed in Note 12 to the financial statements, URMIC has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Mathew Stees & Associates PC*

July 10, 2014  
Chattanooga, Tennessee



COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Balance Sheets

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 185,766	\$ 1,021
Trade receivables, less allowance for doubtful accounts of \$3,108,418 in 2013 and \$2,912,118 in 2012	2,758,581	2,792,137
Third-party settlements receivable	48,075	125,236
Other receivables	853,729	585,828
Inventories	330,807	334,281
Prepaid expenses	<u>40,797</u>	<u>11,467</u>
Total current assets	4,217,755	3,849,970
Property and equipment, net	3,823,525	4,047,005
Long-term receivable	400,000	400,000
Other assets:		
Goodwill	<u>498,321</u>	<u>498,321</u>
Total assets	<u>\$ 8,939,601</u>	<u>\$ 8,795,296</u>

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Balance Sheets (continued)

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES AND MEMBERS' DEFICIT		
Current liabilities:		
Bank overdraft	\$ —	\$ 162,224
Short-term debt	643,385	272,705
Line of credit	190,000	—
Payable to Office of Inspector General	800,000	800,000
Current maturities of capital leases	39,336	55,766
Current maturities of notes payable	2,704,792	2,622,705
Accounts payable	2,471,319	2,601,818
Accrued salaries and benefits	373,053	396,312
Accrued expenses	267,464	72,260
Total current liabilities	<u>7,489,349</u>	<u>6,983,790</u>
Long-term debt:		
Capital lease obligations, less current maturities	11,332	50,668
Notes payable, less current maturities	<u>2,201,316</u>	<u>2,511,059</u>
Total long-term debt	<u>2,212,648</u>	<u>2,561,727</u>
Other liabilities:		
Deferred revenue	<u>—</u>	<u>20,000</u>
Total liabilities	9,701,997	9,565,517
Members' deficit	<u>(762,396)</u>	<u>(770,221)</u>
Total liabilities and members' deficit	<u>\$ 8,939,601</u>	<u>\$ 8,795,296</u>

The accompanying notes are an integral part of these financial statements.

## COFFEE MEDICAL GROUP, LLC

d/b/a

## UNITED REGIONAL MEDICAL CENTER

## Statements of Income (Loss)

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Patient service revenue (net of contractual allowance)	\$ 13,174,232	\$ 14,445,781
Provision for bad debts	<u>(2,453,047)</u>	<u>(3,335,291)</u>
Net patient service revenue	10,721,185	11,110,490
Other operating revenue	<u>1,205,235</u>	<u>1,287,667</u>
Total operating revenues	<u>11,926,420</u>	<u>12,398,157</u>
Operating expenses:		
Nursing services	3,830,688	3,566,330
Other professional services	3,119,730	3,738,649
General services	666,181	656,164
Administrative services	3,451,805	4,005,921
Interest expense	462,275	434,147
Depreciation and amortization expense	<u>388,649</u>	<u>432,053</u>
Total operating expenses	<u>11,919,328</u>	<u>12,833,264</u>
Net operating income (loss)	7,092	(435,107)
Other gains (losses)		
Settlement with the Office of Inspector General	—	(800,000)
Loss from write-off of physician guarantees	—	(309,149)
Gain on disposal of assets	<u>733</u>	<u>—</u>
Comprehensive income (loss)	<u>\$ 7,825</u>	<u>\$ (1,544,256)</u>

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statement of Changes in Members' Deficit

For the Years Ended December 31, 2013 and 2012

Members' equity, January 1, 2012	\$ 774,035
Comprehensive loss	<u>(1,544,256)</u>
Members' deficit, December 31, 2012	(770,221)
Comprehensive income	<u>7,825</u>
Members' deficit, December 31, 2013	<u><u>\$ (762,396)</u></u>

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net operating income (loss)	\$ 7,092	\$ (435,107)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	388,649	432,053
Provision for bad debts	2,453,047	3,335,291
Change in bank overdraft	(162,224)	162,224
Amortization of deferred revenue	(20,000)	(120,000)
(Increase) decrease in:		
Accounts receivable	(2,419,491)	(3,374,381)
Third-party settlements	77,161	33,027
Other receivables	(267,901)	(39,815)
Inventories	3,474	17,701
Prepaid assets	(29,330)	76,701
Increase (decrease) in:		
Accounts payable	(130,499)	420,488
Accrued salaries and benefits	(23,259)	11,022
Other accrued expenses	195,204	(60,335)
Total adjustments	64,831	893,976
Net cash provided by operating activities	71,923	458,869
Cash flows from investing activities:		
Purchases of property and equipment	(174,436)	(186,570)
Proceeds from disposal of property and equipment	10,000	—
Net cash used for investing activities	(164,436)	(186,570)

The accompanying notes are an integral part of these financial statements.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Statements of Cash Flows (continued)

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from financing activities:		
Proceeds from line of credit	\$ 490,000	\$ —
Repayment of line of credit	(300,000)	—
Proceeds from short-term debt	393,163	275,352
Repayment of short-term debt	(22,483)	(195,254)
Repayment of capital lease obligation	(55,766)	(51,711)
Proceeds from notes payable	—	2,113
Repayment of notes payable	<u>(227,656)</u>	<u>(455,064)</u>
Net cash provided by (used for) financing activities	<u>277,258</u>	<u>(424,564)</u>
Net increase (decrease) in cash	184,745	(152,265)
Cash at beginning of year	<u>1,021</u>	<u>153,286</u>
Cash at end of year	<u>\$ 185,766</u>	<u>\$ 1,021</u>
Additional disclosures:		
Cash paid for interest	<u>462,275</u>	<u>\$ 434,147</u>
Settlement with the Office of Inspector General	<u>\$ —</u>	<u>\$ 800,000</u>

The accompanying notes are an integral part of these financial statements



COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Coffee Medical Group, LLC d/b/a United Regional Medical Center ("URMC"), is a Tennessee limited liability company, formed on June 7, 2002, to operate a 54-bed, acute care hospital and a 72-bed nursing home. URMC is also licensed to use some of its hospital bed capacity for what is more commonly referred to as swing-beds. This enables URMC to most effectively use its hospital bed capacity for either acute or long-term care depending on the patient load. URMC acquired the hospital certificate of need on July 27, 2002, from Coffee County, Tennessee.

On February 28, 2011, URMC sold substantially all assets and operations of the nursing home to an outside unrelated organization.

Basis of Accounting

URMC uses the accrual basis of accounting, recording revenue when earned and expenses when incurred. The financial statements are presented in the format prescribed by the American Institute of Certified Public Accountants in the *Audit Guide for Health Care Entities*.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity when purchased of three months or less.

Accounts Receivable

Current operations are charged with an allowance for doubtful accounts based upon experience and any unusual circumstances that affect the collectability of receivables. Amounts deemed uncollectible are charged against this allowance. Accounts receivable are reported net of contractual adjustments which represent the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, and other third-party payment programs.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of supplies are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost, or if donated, at market value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of all assets range from 5 to 40 years.

Income Taxes

URMC is considered a partnership for federal income tax purposes and all income flows to the members. Income of URMC is taxed to the members in their respective returns. Therefore, no provision for income taxes is deemed necessary. State income tax is not significant and therefore no accrual is made for state taxes.

URMC accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*, which requires management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, URMC only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. Based on the results of management's evaluation, the standard did not have a material effect on the accompanying financial statements. Consequently, no liability is recognized in the accompanying balance sheets for unrecognized income tax positions.

Further, no interest or penalties have been accrued or charged to expense as of December 31, 2013 and 2012, or for the years then ended. The federal and state income tax returns of the Company for 2013, 2012, and 2011 are subject to examination by the taxing authority, generally for three years after due date.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

URMC provides paid time off ("PTO") benefits to permanent employees who have completed an initial 90-day introductory period. Any earned but unpaid PTO benefits will be paid upon termination assuming adequate notice is given.

Charity Care

URMC provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because URMC does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Business and Credit Concentrations

URMC provides health care services through its inpatient and outpatient care facility located in Manchester, Tennessee. URMC grants credit to patients, substantially all of whom are local residents. URMC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g. Medicare, TennCare, Blue Cross, health maintenance organizations, and commercial insurance policies).

Goodwill

URMC adopted FASB ASC 350, *Intangibles*, previously Statement of Financial Accounting Standards No.142, "*Accounting for Goodwill and Other Intangible Assets*." Under FASB ASC 350, goodwill is not amortized, but is reviewed for impairment under the policy for other long-lived assets at least annually.

URMC acquired the assets of URMC PET CT, LLC by assuming the outstanding capital lease obligation and purchasing the ownership interests of the other members. This transaction resulted in goodwill of \$498,321. The equipment was not impaired during 2013 and 2012, respectively.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 2 PATIENT SERVICE REVENUE

URMC has agreements with third-party payors that provide for payments to URMC at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

Acute care services rendered to Medicare program beneficiaries are paid at prospectively-determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Long-term care services related to Medicare beneficiaries are paid based upon a prospective resource utilization reimbursement method.

Certain items such as bad debts for Medicare deductibles and coinsurance and reimbursement for providing services to low income patients are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits by the Medicare Administrative Contractor.

TennCare

Effective January 1, 1994, the State of Tennessee received a federal waiver to withdraw from the Medicaid program and to adopt a new medical care program, referred to as TennCare. The program emphasizes preventive and wellness care, increases access to care, and encourages cost savings from care providers while limiting government expenditures. TennCare enrolls Medicaid eligible recipients and uninsured Tennessee residents in private managed care organizations that compete with each other for patients. Each managed care organization negotiates with providers to provide care to participants. TennCare is financed by pooling state and federal funds with monies raised from premiums, co-payments and deductibles paid by TennCare participants with income above the poverty level.

URMC has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively-determined rates-per-discharge, discounts from established charges, and prospectively-determined per diem rates.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross and net patient service revenues for the years ended December 31, 2013 and 2012, follows:

	<u>2013</u>	<u>2012</u>
Gross patient service revenue	\$ 36,132,651	\$ 40,875,761
Less provisions for contractual adjustments under third-party reimbursement programs, charity allowances and policy discounts	<u>(22,958,419)</u>	<u>(26,429,980)</u>
Patient service revenue (net of contractual allowance)	13,174,232	14,445,781
Provision for bad debts	<u>(2,453,047)</u>	<u>(3,335,291)</u>
Net patient service revenue	<u>\$ 10,721,185</u>	<u>\$ 11,110,490</u>

NOTE 3 401(K) PLAN

During 2010, URMCM switched from its previously adopted defined contribution plan to a multi-employer plan. Substantially all employees are eligible to contribute to the plan. Employees make voluntary pre-tax contributions through payroll deductions. The multi-employer plan did not change any contribution or vesting requirements of the original plan. No employer contributions were made for the years ending December 31, 2013 or 2012. Plan expenses are paid by URMCM.

NOTE 4 DISCONTINUED OPERATIONS

In February 2011, URMCM sold the nursing home operations to an unrelated party for approximately \$1.4 million. URMCM will continue to lease the building to the new owner until a new facility can be constructed. During 2013 and 2012, URMCM received rental income from the new owner of \$130,000 and \$120,000, respectively, which is included in other operating revenue in the statement of income (loss).

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 8,795	\$ 8,795
Land improvements	36,788	36,788
Buildings	736,402	736,402
Building improvements	889,423	889,423
Fixed equipment	297,342	297,342
Major moveable equipment	4,781,101	4,899,649
Furniture	53,091	53,091
Construction in progress	<u>2,462,156</u>	<u>2,308,171</u>
	9,265,098	9,229,661
Less accumulated depreciation and amortization	<u>(5,441,573)</u>	<u>(5,182,656)</u>
Property and equipment, net	<u>\$ 3,823,525</u>	<u>\$ 4,047,005</u>

Depreciation expense was \$388,649 and \$432,053, respectively, for the years ended December 31, 2013 and 2012.

NOTE 6 LEASES

Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with the related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2013, which have initial or remaining terms of one year or more.

<u>Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2014	149,581
2015	141,358
2016	139,330
2017	139,330
Total minimum lease payments	<u>\$ 569,599</u>

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 6 LEASES (CONTINUED)

Total rent expense under operating leases was \$286,421 and \$280,285 for 2013 and 2012, respectively.

Capital Leases

URMC has entered into long-term capital lease agreements to provide medical equipment for the treatment of patients of URMC. The terms of the leases are 60 months. The interest rates on the leases vary from 6.63% to 8.571% per annum.

The present values of future minimum capital lease payments are as follows:

<u>Years Ending December 31,</u>	
2014	\$ 41,826
2015	11,935
Total minimum lease payments	53,761
Less amount representing interest	(3,093)
Present value of net minimum capital lease payments	50,668
Less current installments of capital lease obligations	(39,336)
Obligations under capital lease, excluding current installments	\$ 11,332

Assets recorded under capital leases are included in property and equipment.

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Note payable originally dated September 21, 2005, and refinanced August 26, 2011, to Tennessee Commerce Bank, secured by certain equipment owned by the Medical Center, with a carrying value of \$580,979. The note is payable in monthly installments of \$20,000, including interest at 6.00% with a final payment due September 7, 2013. Tennessee Commerce Bank went into receivership and the receiver has not settled the note at year end but has provided for an extension of the due through June 30, 2014.	\$ 1,704,778	\$ 1,729,091

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 7 LONG-TERM DEBT (CONTINUED)

Note payable originally financed as short-term debt, dated August 12, 2010, and refinanced on March 29, 2011, as long-term debt, to Coffee County Bank, secured by all accounts receivable, equipment and inventory with a carrying value of \$3,670,367, payable in monthly installments of \$7,500, including interest at a fixed rate at 6.0% with a final installment due March 20, 2014.	21,721	93,638
Note payable originally dated February 28, 2005, and renewed September 30, 2008, to American City Bank, secured by a building owned by the Medical Center, with a carrying value of \$292,463, payable in monthly installments of \$1,628, including interest at 1.01% with a final payment due October 1, 2013. The loan was extended through October 10, 2018.	187,174	198,697
Note payable dated July 24, 2006, and refinanced August 4, 2011, to Coffee County Bank, secured by property owned by the Medical Center, located at 1001 McArthur Drive, with a carrying value of \$922,306, payable in monthly installments of \$12,500, including interest at a fixed rate of 5.99% with a final installment due June 22, 2017.	1,661,280	1,713,631
Note payable originally financed as a line of credit, dated November 9, 2006, and refinanced August 4, 2011, to Coffee County Bank, secured by all accounts receivable and property owned by the Medical Center located at 1001 McArthur Drive, with a carrying value of \$2,892,621, payable in monthly installments of \$4,051, including interest at 5.99% with a final payment due February 22, 2019.	447,017	466,122



COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 7 LONG-TERM DEBT (CONTINUED)

Note payable to a group of members with an original principal balance of \$500,000. The note required 120 monthly installments of \$5,935, including interest at 7.50%. The note matures on November 30, 2014, with all outstanding principal and interest due and payable on that date.

292,411 326,074

Note payable originally dated July 17, 2009, and refinanced August 11, 2011, to Coffee County Bank, secured by accounts receivable, property owned by the Medical Center located at 1001 McArthur Drive, inventory and equipment, with a carrying value of \$4,427,249, payable in monthly installments of \$4,500, including interest at a fixed rate of 5.99%, with a final payment due June 22, 2014.

591,727 606,511

4,906,108 5,133,764

Less current maturities

(2,704,792) (2,622,705)

\$ 2,201,316 \$ 2,511,059

Maturities of long-term debt for the years subsequent to the year ended December 31, 2013, are as follows:

2014	\$ 2,704,792
2015	211,376
2016	1,516,129
2017	228,218
2018	67,517
Thereafter	178,076
Total	\$ 4,906,108

NOTE 8 CONCENTRATIONS OF CREDIT RISK

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

URMC had deposits of \$708,188 and \$158, at local financial institutions at December 31, 2013 and 2012, respectively. Deposits exceeded the federally insured limits by \$458,188 at December 31, 2013. Management does not believe these deposits are at risk. Deposits did not exceed the federally insured limits at December 31, 2012.

URMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2013 and 2012, was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	27%	29%
Self pay	40%	32%
TennCare/Medicaid	16%	16%
Other third-party payors	17%	23%
	<u>100%</u>	<u>100%</u>

NOTE 9 COMPENSATED ABSENCES

URMC's PTO policy allows all full-time employees to earn a percentage of their base pay under a schedule that is tied to the longevity of the employee with URMC. PTO is accrued until the employee accrues 1.5 times the maximum annual accrual. At this point accruals cease until PTO is taken. The option for employees to sell accruals back to URMC at 70% of the accrued amount was suspended March 27, 2010.

Employees may donate unused PTO to another employee. At termination, unused accruals are paid in the period subsequent to the last date of employment. Employees who terminate prior to completion of 90 days of employment forfeit any unused accruals.

NOTE 10 COMMITMENTS AND CONTINGENCIES

URMC is covered under a claims-made malpractice insurance policy. There has been no lapse in coverage. Premiums are based upon facility information and the claims experience. Various claims may, from time to time, be made against URMC. In addition, other claims may be asserted that relate to services already rendered. However, in the opinion of management, adequate provision has been made for all asserted and unasserted claims.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

URMC self-funds health insurance for its employees. URMC is liable for claims for covered individuals up to \$45,000 and has acquired reinsurance for claims over that amount. The reinsurance also limits URMC's aggregate exposure to \$1,000,000. URMC pays an administrative services organization (an "ASO") to process claims and remits the amounts paid to the ASO monthly. Claims for the current year can be processed through April of the following year. At December 31, 2013 and 2012, URMC had incurred but not reported health insurance claims of \$294,774 and \$32,705, respectively, which have been accrued and reported in accrued expenses on the balance sheets.

URMC has been under an investigation by the U.S. Department of Justice ("DOJ") as a result of a Qui Tam complaint. The case alleged certain violations of federal statutes, including but not limited to the False Claim Act. A preliminary agreement was reached in July 2012, subject to review by various federal agencies. That review is currently ongoing and the settlement agreement would require substantial financial remuneration as well as the implementation of a Corporate Integrity Agreement ("CIA") for five years. The current settlement amount which has been reflected in these financial statements is \$800,000. The final terms have not been finalized; therefore the settlement is reflected in the current year as short-term. The expectation is that the final terms will extend the payment of this settlement over several years and may even delay the first payment for some period of time. There will most likely be additional amounts for the relators' attorney fees which have not yet been determined.

URMC is also involved in mediation with a former service provider related to an alleged breach of contract. URMC has filed certain counterclaims and intends to vigorously defend itself. The outcome of the mediation is undeterminable at this time.

During May 2013, URMC agreed, along with its co-defendant, to a settlement of a wrongful discrimination action brought by a former CEO. The settlement, net of the deductible, was covered by URMC's directors' and officers' insurance policy.

NOTE 11 RELATED PARTY ACTIVITIES

URMC has a 50% ownership interest in the Bone Density Co-Op, a Tennessee general partnership formed for the purpose of owning and leasing a bone densitometer. This entity is not considered significant for consolidation.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 11 RELATED PARTY ACTIVITIES (CONTINUED)

URMC and/or its members are involved in leasing, acquisitions, purchasing supplies and other materials from various related party entities. The following is a list of entities that URMC has related party transactions with:

- a) United Regional Physicians Group, LLC
- b) McArthur 23, LLC

NOTE 12 GOING CONCERN

URMC has experienced substantial losses over the past several years which have reduced its initial and subsequent contributions by the members to \$762,396. Operations have been financed with vendor credit and various loans, a substantial portion of which are currently maturing in the next fiscal year. There is a working capital deficit of \$3,133,820 and net revenues have declined from a high of \$18,442,856 in 2009 to \$10,721,185 in 2013. The facility has been experiencing negative cash flow for several years and had substantial bank overdraft in 2012. Net patient service revenue in 2012 declined approximately \$1.8 million from the previous year. In 2011, URMC sold its nursing home operations to an unrelated party, as mentioned in Note 4. The hospital is also facing several significant lawsuits that could result in substantial settlements if an unfavorable decision is rendered against URMC. All of these factors raise substantial doubt as to the ability of URMC to continue as a going-concern.

In response to the concern regarding its continued existence, URMC has been exploring the following options:

1. A possible merger with another health care entity, which is more fully described in Note 13.
2. A cost reduction plan was implemented during 2013 the impact of which will continue into 2014.
3. Restructuring existing debt occurred in 2013, and continues on some loans in 2014.
4. Renegotiation of contracts with certain health insurance companies.
5. Addition of a family practice physician to the medical staff to increase primary care services to the community.

COFFEE MEDICAL GROUP, LLC

d/b/a

UNITED REGIONAL MEDICAL CENTER

Notes to Financial Statements

(Continued)

NOTE 12 GOING CONCERN (CONTINUED)

There is no way to reasonably estimate the possibility of the bank restructuring the debt and at this time no projected interest rates exist should such a plan be implemented. A merger could provide for economies of scale, but a formal agreement with the other entity has not been prepared. Projections for the new service lines increase revenue by approximately \$800,000 and will require additional cost of approximately \$30,000.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2014, the date that the financial statements were available to be issued.

During 2011, URMCM developed an electronic health record ("EHR") in accordance with the guidelines of the Center for Medicare and Medicaid Services as published in the July 28, 2010, Federal Register in accordance with the American Recovery and Reinvestment Act ("ARRA"). ARRA provides both Medicare and Medicaid incentive payments to providers who can obtain meaningful use, as defined in ARRA.

Management tested its system for achievement of meaningful use in 2011. In July 2011, URMCM achieved meaningful use and began receiving the incentive payments. URMCM received incentive payments of \$984,399 and \$1,099,192 in 2013 and 2012, respectively, which are included in other operating revenue in the statements of income (loss). URMCM will receive additional incentive payments based upon a graduated scale in 2014.

In July of 2014, management issued a press release announcing a merger between URMCM and Medical Center of Manchester ("MCM"), contingent upon approval by the Tennessee Health Services and Development Board that would combine the two hospitals. The merger is also dependent on URMCM obtaining the financing to acquire MCM. The impact of this announcement is not determinable until the final details of the merger are fully known and these details could have a significant impact on these financial statements.



*Solutions for your future*  
**Matheney Stees & Associates**

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

COMMUNICATION OF SIGNIFICANT DEFICIENCY THAT INDICATES NO MATERIAL WEAKNESSES IN  
INTERNAL CONTROL

To the Member Directors of Coffee Medical Group, LLC

In planning and performing our audit of the financial statements of Coffee Medical Group, LLC, d/b/a United Regional Medical Center ("URMC") as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered URMC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of URMC's internal control. Accordingly, we do not express an opinion on the effectiveness of URMC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of URMC's financial statements will not be prevented, or detected and corrected in a timely manner.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified the following deficiency in URMC's internal control to be a significant deficiency.

URMC lacks a complete segregation of duties. In a company of this size, the complete segregation of duties is often an unreasonable and unattainable goal. Management has separated as many of the incompatible functions as possible to mitigate this lack of full segregation. We agree that management cannot attain a complete segregation of duties without substantial and unjustified expenditures of resources that do not substantially improve financial reporting for the entity.

This communication is intended solely for the information and use of management, the managing members of the URMC, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Matheney Stees & Associates PC*

July 10, 2014



6136 Shallowford Road Suite 101, Chattanooga, TN 37421  
Phone 423.894.7400 Fax 423.894.9977

# Board for Licensing Health Care Facilities

(8)

State of Tennessee



0000000017

No. of Beds 0054

## DEPARTMENT OF HEALTH

*This is to certify, that a license is hereby granted by the State Department of Health to*  
COFFEE MEDICAL GROUP, LLC  
*to conduct and maintain a*

*Hospital* UNITED REGIONAL MEDICAL CENTER

*Located at* 1001 MCARTHUR STREET, MANCHESTER

*County of* COFFEE, Tennessee.

*This license shall expire* OCTOBER 01, 2015, *and is subject*

*to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

*In Witness Whereof, we have hereunto set our hand and seal of the State this* 1ST *day of* OCTOBER, 2014.  
*In the District Category (ies) of:* GENERAL HOSPITAL  
PEDIATRIC PRIMARY HOSPITAL



*By* *James J. Davis, MPH*  
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

*By* *John J. Davis*  
COMMISSIONER



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
EAST TN HEALTH CARE FACILITIES  
7175 STRAWBERRY PLAINS PIKE, SUITE 103  
KNOXVILLE, TENNESSEE 37914

August 12, 2015

Martha McCormick, Administrator  
United Regional Medical Center  
1001 McArthur Street  
Manchester, TN 37355

Dear Ms. McCormick:

Enclosed is the Statement of Deficiencies developed as the result of the recertification survey conducted on August 3-5, 2015. You are asked to respond to the undersigned with your Credible Allegation of Compliance within ten (10) days after receipt of this letter. Once corrective action, no later than September 19, 2015, (45) days from the date of the survey, has been taken and we have verified this action through a follow-up visit, consideration may be given to a favorable recommendation for recertification. Please notify this office in the event these deficiencies can be corrected prior to this date so that a follow-up may be made before the 45th day.

The following standard level deficiencies were cited for noncompliance:

A 409 – Blood Transfusions and IV Medications	K 018 – Life Safety Code
A 491 – Pharmacy Administration	K 022 – Life Safety Code
A 500 – Delivery of Drugs	K066 – Life Safety Code
A 701 – Maintenance of Physical Plant	K069 – Life Safety Code
A 749 – Infection Control Program	K130 – Life Safety Code
A 812 – Documentation of Evaluation	

We are also recommending to the CMS Regional Office and/or State Medicaid Agency that your provider agreement be terminated in 90 days if substantial compliance is not achieved by that time.

Your Credible Allegation of Compliance must contain the following:

- What corrective action(s) will be accomplished for those patients found to have been affected by the deficient practice;
- How you will identify other patients having the potential to be affected by the same deficient practice and what corrective action will be taken;



United Regional Medical Center  
Page 2  
August 12, 2015

- What measures will be put into place or what systemic changes you will make to ensure that the deficient practice does not recur; and;
- How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

If you have any questions, please contact the East Tennessee Regional Office at (865) 594-9396.

Sincerely,

A handwritten signature in cursive script that reads "Karen Kirby /rs".

Karen B. Kirby, RN  
Regional Administrator  
East TN Health Care Facilities

KBK / ram

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 08/07/2015  
FORM APPROVED  
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  440007	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____  B. WING _____	(X3) DATE SURVEY COMPLETED  08/05/2015
NAME OF PROVIDER OR SUPPLIER  UNITED REGIONAL MEDICAL CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 1001 MCARTHUR ST MANCHESTER, TN 37355	
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 000	INITIAL COMMENTS	A 000		
A 409	<p>82.23(c)(4) BLOOD TRANSFUSIONS AND IV MEDICATIONS</p> <p>Blood transfusions and intravenous medications must be administered in accordance with State law and approved medical staff policies and procedures. If blood transfusions and intravenous medications are administered by personnel other than doctors of medicine or osteopathy, the personnel must have special training for this duty.</p> <p>This STANDARD is not met as evidenced by: Based on policy review, medical record review, and interview, the facility failed to administer a blood transfusion according to policy for 1 patient (#11) of 2 patients reviewed for blood transfusions.</p> <p>The findings included:</p> <p>Review of the facility's Blood, Blood Components-Transfusion policy, effective date 12/4/08, revealed, "...Two licensed nurses shall positively identify the patient by carefully comparing name and number on the patient's wristband with the information on the Transfusion Information sheet and the Blood/Blood Component unit: verify patient name; account number; birthdate; donor number...Donor Group-RH and Patient Group-RH type on blood bag label; and Expiration date; and identify the Blood Bank Ident-a-Blood number with the patient's blood band number...The fully</p>	A 409	<p><b>Corrective Action:</b></p> <p>Re-education has been performed with nursing staff regarding proper usage and documentation of the blood administration form.</p> <p><b>Identify</b></p> <p>The current blood products administration form was new to the Medical Center of Manchester staff and were unfamiliar with its usage.</p> <p><b>Measures</b></p> <p>Re-education has been completed. A focused review will be completed for the next 90 days, as well as ongoing review in the blood utilization committee.</p> <p><b>Monitoring</b></p> <p>Laboratory staff will be completing a focused review of all blood administration forms and reporting in the Blood Utilization Committee for the next 90 days. This will also be reported in the monthly performance improvement committee for the next 90 days.</p>	08/21/15

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Any deficiency statement ending with an asterisk (\*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  440007	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____  B. WING _____	(X3) DATE SURVEY COMPLETED  08/05/2015
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NAME OF PROVIDER OR SUPPLIER  UNITED REGIONAL MEDICAL CENTER	STREET ADDRESS, CITY, STATE, ZIP CODE 1001 MCARTHUR ST MANCHESTER, TN 37355
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
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A 409 Continued From page 1  
completed Blood Transfusion Information Sheet  
is kept in the patient's record..."

Medical record review revealed Patient #11 was  
admitted to the facility on 7/16/15 with diagnoses  
including Pneumonia, Microcytic Anemia,  
Exacerbation of Chronic Obstructive Pulmonary  
Disease, and Atrial Fibrillation. The patient was  
discharged home on 7/20/15.

Medical record review of Patient #11's Blood  
Transfusion Information Sheet revealed the  
patient was administered a blood transfusion on  
7/17/15. Further review of the Blood Transfusion  
Information Sheet revealed the unit of blood was  
identified by only 1 nurse on 7/17/15 at 3:38 PM.  
Further review revealed the blood transfusion  
was started on 7/17/15 at 3:38 PM, and in the  
area provided for documentation of "Date  
Finished...Time Finished...Amount Infused....,"  
there was no documentation.

Interview with the nurse manager on 8/4/15 at  
2:00 PM, in the Administration Conference Room,  
confirmed there was no documentation of 2  
nurses identifying the blood transfusion prior to  
administration and no documentation of the time  
the transfusion was finished.

A 409:

A 491 482.25(a) PHARMACY ADMINISTRATION

The pharmacy or drug storage area must be  
administered in accordance with accepted  
professional principles.

This STANDARD is not met as evidenced by:  
Based on facility policy review, observation,

A 491: CORRECTIVE ACTION: 08/20/15

Change the checklist on the crash carts to  
include every shift signatures and lock  
number.

Pharmacy will list first to expire medications  
and supplies on the front of each crash cart.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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NAME OF PROVIDER OR SUPPLIER  UNITED REGIONAL MEDICAL CENTER	STREET ADDRESS, CITY, STATE, ZIP CODE 1001 MCARTHUR ST MANCHESTER, TN 37355
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X6) COMPLETION DATE
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A 491 Continued From page 2

facility record review, and interview, the facility failed to check the crash carts for outdated emergency medications for 1 of 3 crash carts reviewed.

The findings included:

Review of the facility policy Medication Distribution-Emergency Medication Supplies, dated 8/04, revealed "...the cart's...checked by a nursing staff member each day...entire contents of the crash cart are checked monthly for outdated...medications..."

Observation of crash cart #1 with the Registered Nurse (RN)/Charge Nurse, the Pharmacist, and the Chief Nursing Officer (CNO) on 8/3/15 at 12:30 PM, in the Medical-Surgical (Med-Surg) unit, revealed the following expired medications on the cart: 2 syringes of Epinephrine (used for cardiac stimulation) 1 milligram (mg)/10 milliliter (ml) expired 7/15; 2 bottles of Nitroglycerin (heart medication) 50mg/250ml in Normal Saline (volume expansion fluid) expired 7/15; and 1 liter of Lactated Ringers (volume expansion fluid) expired 12/14.

Review of the hospital's Crash Cart Check List for the Month of July 2015, revealed no entries for daily crash cart checks on 7/1, 7/13, 7/19, 7/20, 7/21, 7/22, and 7/23. Continued review revealed no pharmacy signature for "Cart restocked/checked by pharmacy" for the month of 7/15.

Interview with the RN/Charge Nurse, the Pharmacist, and the CNO on 8/3/15 at 1:30 PM, in the Med-Surg Unit, confirmed the facility failed to ensure the daily nursing check and the monthly

A 491

IDENTIFY:

The Pharmacy Department has identified out of date medications and supplies on the Emergency Crash Carts and has removed these medications and supplies from the carts.

MEASURES:

Nursing staff will be re-educated on the proper check off procedures by senior nursing staff.

Pharmacy will spot check crash carts for expired medications and supplies.

MONITORING:

The Pharmacy Director, in conjunction with the Nursing Department will begin a Performance Improvement (PI) monitor to include 90 days of monitoring the medications, supplies, and proper check off of the Emergency Crash Carts and report to the monthly PI Committee meeting.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

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NAME OF PROVIDER OR SUPPLIER

**UNITED REGIONAL MEDICAL CENTER**

STREET ADDRESS, CITY, STATE, ZIP CODE

**1001 MCARTHUR ST  
MANCHESTER, TN 37355**

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
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A 491 Continued From page 3  
pharmacy check for outdated medications of the  
crash cart.

A 500 482.25(b) DELIVERY OF DRUGS

In order to provide patient safety, drugs and  
biologicals must be controlled and distributed in  
accordance with applicable standards of practice,  
consistent with Federal and State law.

This STANDARD is not met as evidenced by:  
Based on review of facility policy, medical record  
review, observation, and interview, the facility  
failed to provide a therapeutic Vancomycin dosing  
for one patient (#1) of one patient receiving the  
antibiotic.

The findings included:

Review of the policy and procedure titled "Clinical  
Activities Program-Pharmacokinetic Dosing  
Protocol for Vancomycin [antibiotic]," last revised  
February 2010, revealed, "INTENT: This policy  
has been developed to optimize Vancomycin  
therapy. Improper use...can result in either  
sub-therapeutic response...or an overdose...the  
pharmacist will determine the optimal dosing  
regimen...A random level should be drawn 24  
hours after the first dose...PROCEDURE: 4.  
PHARMACIST'S ORDERS ON THE PATIENT'S  
CHART MUST CONTAIN: A. The calculated dose  
and interval..." Continued review of the Protocol  
revealed a Vancomycin Dosing Chart was  
included and revealed the interval of "Q [every] 24  
hours" for patients with an "Actual Body Weight"  
of 66 kg (kilograms) to greater than 100 kg (adult  
weight).

Medical record review revealed Patient #1 was

A 491

A 500 CORRECTIVE ACTION:

The pharmacy department will check all  
Vancomycin dosages daily for correct  
dosages and schedules based on the Policy  
"Clinical Activities Program-  
Pharmacokinetic Dosing - Vancomycin".

08/18/15

**IDENTIFY:**

The Pharmacy Department has identified  
pharmacist staff lack of knowledge of  
proper policy and procedure for  
Vancomycin dosing.

**MEASURES:**

The Pharmacy Director will educate the  
pharmacist with regard to the Policy  
"Clinical Activities Program-  
Pharmacokinetic Dosing - Vancomycin".

**MONITORING:**

The Pharmacy Director will begin a  
Performance Improvement (PI) monitor to  
include 90 days of monitoring the  
inpatients in the hospital on Vancomycin  
for dosing and scheduling and report to  
the monthly PI Committee meeting.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

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NAME OF PROVIDER OR SUPPLIER  <b>UNITED REGIONAL MEDICAL CENTER</b>	STREET ADDRESS, CITY, STATE, ZIP CODE <b>1001 MCARTHUR ST MANCHESTER, TN 37355</b>
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
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A 500 Continued From page 4

A 500.

admitted on 07/31/15 at 4:06 PM, with diagnoses including Otitis Media, Alzheimer's Disease, and Altered Mental Status.

Review of the physician's orders dated 8/1/15 at 6:00 PM, revealed, "...Vancomycin IV [intravenously] per pharmacy protocol."

Review of an order dated 8/1/15 at 7:10 PM, revealed the order had been entered by the pharmacist and stated, "Vancomycin 1 Gm [gram] q [every] 18 hours in NS [normal saline] 250 ml [milliliters]. Vanc [Vancomycin] trough @ 0830 on 8-3-15."

Observation of Patient #1 on 8/3/15 at 3:15 PM, revealed Vancomycin 1 Gm was infusing into a peripheral intravenous (IV) catheter.

Medical record review of the patient's Medication Administration Record (MAR) revealed the patient had received a dose of Vancomycin at 9:00 PM on 8/1/15 and the next dose was given 37 hours later on 8/3/15 at 10:00 AM. Further review of the MAR revealed the initial Vancomycin order entered by the pharmacist did not include a timing interval designating when the second dose of Vancomycin was to be administered.

Interview with Licensed Practical Nurse (LPN) #3 on 8/3/15 at 3:25 PM, in the nursing station, revealed the infusion of Vancomycin began on 8/3/15 at 11:37 AM. Continued interview revealed the 10:00 AM dose began late due to the need for the pharmacist to come to the nursing unit and demonstrate how to properly mix a new delivery system (an enclosed and pre-measured Vancomycin dose to be mixed with 250 cc of NS).

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NAME OF PROVIDER OR SUPPLIER  UNITED REGIONAL MEDICAL CENTER	STREET ADDRESS, CITY, STATE, ZIP CODE 1001 MCARTHUR ST MANCHESTER, TN 37355
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
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A 500 Continued From page 5

A 500

Interview with the Director of the Pharmacy on 8/4/15 at 8:15 AM, in the conference room, revealed the pharmacist working the previous weekend was "not aware" of the 24 hour interval in the Vancomycin Protocol and stated, "Obviously the 24 hour protocol wasn't followed since it wasn't given on 8/2..." Interview continued and the Director commented the nursing staff had not questioned why there wasn't a Vancomycin dose to be given on 8/2/15, but then confirmed the weekend pharmacist had not entered an order for a Vancomycin dose to be given on 8/2/15.

A 701 482.41(a) MAINTENANCE OF PHYSICAL PLANT

A 701

**CORRECTIVE ACTION:**

08/20/15

The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured.

Change the checklist on the crash carts to include every shift signatures and lock number.  
Pharmacy will list first to expire medications and supplies on the front of each crash cart.

This STANDARD is not met as evidenced by:  
Based on facility policy review, observation, facility record review, and interview, the facility failed to maintain and inspect an emergency cart (crash cart) and defibrillator each shift for 2 of 3 crash carts observed; failed to maintain the sink in the central sterilizing department; and failed to maintain respiratory pediatric supplies in the respiratory department.

**IDENTIFY:**

The Pharmacy Department has identified out of date medications and supplies on the Emergency Crash Carts and has removed these medications and supplies from the carts.

The findings included:

**MEASURES:**

Nursing staff will be re-educated on the proper check off procedures by senior nursing staff.  
Pharmacy will spot check crash carts for expired medications and supplies.

Review of the facility policy Medication Distribution-Emergency Medication Supplies,

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A 701 Continued From page 6

dated 8/04, revealed, "...the cart's...checked by a nursing staff member each day...entire contents of the crash cart are checked monthly..."

Review of the facility policy "Defibrillator" revised 5/28/10 revealed, "...The defibrillator is inspected and tested each shift to ensure it is working properly...check off that the defibrillator check was completed on the crash cart check list..."

Observation of crash cart #1 with the Registered Nurse (RN)/Charge Nurse, the Pharmacist, and the Chief Nursing Officer (CNO) on 8/3/15 at 12:30 PM, in the Medical-Surgical (Med-Surg) unit, revealed the cart contained the following expired blood vacutainers (tubes to collect blood samples): 2 red top tubes expired 12/13 and 12/14; 1 yellow top tube expired 11/14; 4 purple top tubes expired 11/13, 2/14, 4/15; 2 green top tubes expired 4/14; 2 tiger top tubes expired 9/14; and 4 blue top tubes expired 2/14. Further observation revealed the cart contained the following expired emergency supplies: 1 triple lumen catheter (used for intravenous access) expired 4/11; 1 scalpel expired 6/14; and 2 25-gauge intravenous needles expired 9/14. Further observation of the crash cart revealed a log for checking the defibrillator and the log indicated the crash cart and the defibrillator had not been checked on 7/1/15, 7/13/15, 7/19/15, 7/20/15, 7/21/15, 7/22/15, and 7/23/15. Continued review revealed no pharmacy signature for "Cart restocked/checked by pharmacy" for the month of 7/15.

Interview with the Charge Nurse on 8/3/15 at 12:35 PM, at the crash cart, confirmed the defibrillator was to be checked each shift.

A 701 **MONITORING:**

The Pharmacy Director, in conjunction with the Nursing Department will begin a Performance Improvement (PI) monitor to include 90 days of monitoring the medications, supplies, and proper check off of the Emergency Crash Carts and report to the monthly PI Committee meeting

**Corrective Action:**

New sink stoppers were purchased and put into service at all 3 decontamination/central sterile sink locations within surgery on 08/13/2015. (Pictures and receipts attached)

08/13/15

**Identify:**

Water was run in all 3 sinks and the new plugs worked correctly. There was no drainage seen while the new plugs were placed.

**Measures:**

Sink Stopper checks have been added to the end of the day checklist. (Checklist attached)

**Monitoring:**

The surgical services director will review the end of the day checklist for 90 days to ensure that sink stoppers are working adequately.



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A 701	<p>Continued From page 7</p> <p>Observation of crash cart #2 with the RN/Charge Nurse, the Pharmacist, and the CNO on 8/3/15 at 1:20 PM, in the Med-Surg Unit, revealed the cart contained 1 tracheostomy tube (plastic tube inserted into the neck to create an emergency airway), expired 8/13.</p> <p>Interview with the RN/Charge Nurse, the Pharmacist, and the CNO on 8/3/15 at 1:30 PM, in the Med-Surg Unit, confirmed the hospital failed to ensure the daily nursing and the monthly pharmacy check for outdated emergency supplies for 2 of 3 crash carts.</p> <p>Interview with the Chief Compliance Officer on 8/3/15 at 1:30 PM, at crash cart #1, confirmed the cart and defibrillator had not been checked.</p> <p>Observations of the central sterilizing unit on 8/3/15 at 2:30 PM, revealed the wash sink used to rinse surgical instruments after washing did not have a plug for the drain. Continued observations revealed Licensed Practical Nurse (LPN) #2 was unable to immerse the cleaned instruments in clean water to rinse.</p> <p>Interview with LPN #2 on 8/3/15 at 2:30 PM, in the central sterilizing unit, confirmed the wash sink did not work properly and rinsing the surgical instruments was difficult without immersing them in clean water.</p> <p>Observation with Respiratory Therapist #1 on 8/3/15 at 3:00 PM, in the Respiratory Department, revealed a bin containing 15 pediatric nonrebreather masks (used for delivery of high concentrations of oxygen) with 8 masks expired 8/13 and a bin with 1 pediatric venturi mask (used for delivery of high flow enriched oxygen at a</p>	A 701	<p><b>Corrective Action Plan:</b> All of the expired pediatric nonrebreather and venturi masks have been removed from the designated inventory areas.</p> <p><b>Identify:</b> All pediatric respiratory equipment expiration dates have been verified in all of the designated inventory areas. No other equipment has been found to be expired.</p> <p><b>Measurement:</b> The RT Director will conduct weekly checks of all pediatric respiratory equipment. All pediatric respiratory equipment will be rotated on a weekly basis. All RT staff has been educated on the identification of expiration dates and expiration date symbols.</p> <p><b>Monitoring:</b> Results of the weekly rounds will be reported to the PI committee every month for 90 days.</p>

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A 701 Continued From page 8  
settable concentration) expired 4/14.

A 701

Interview with Respiratory Therapist #1 on 8/3/15 at 3:30 PM, in the Respiratory Department, confirmed the facility failed to monitor the expiration dates of the pediatric respiratory equipment.

A 749 482.42(a)(1) INFECTION CONTROL PROGRAM

The infection control officer or officers must develop a system for identifying, reporting, investigating, and controlling infections and communicable diseases of patients and personnel.

This STANDARD is not met as evidenced by:  
Based on facility policy review, observation, and interview, the facility personnel failed to wear appropriate attire in the Operating Room and failed to follow hand hygiene procedures during 1 of 1 blood glucose testing.

The findings included:

Review of the facility policy Attire in the Operating Room (OR), effective date 12/4/08, revealed, "...All reusable attire shall be laundered after each use, by a laundry facility approved and monitored by the hospital..."

Observations of OR #1 on 8/3/15 at 12:45 PM to 1:45 PM, revealed surgeon #1 performing surgery on patient #12 while wearing a reusable surgical hat.

Interview with surgeon #1 on 8/3/15 at 3:00 PM, in the OR nurses station, confirmed his surgical

A 749: **CORRECTIVE ACTION:** All surgeons will comply with AORN recommendations for Surgical Attire and Cleanliness

08/21/15

**IDENTIFY:** Infection Control has identified surgeons who are non compliant in regard to AORN recommendation. Corrective measures were implemented

**MEASURES:** Surgeons will receive education regarding importance of complying with AORN recommendation for surgical attire, stressing the importance of principles of Infection Control and impact on patient outcomes.

**MONITORING:** Performance Improvement Indicator will be implemented to track surgeon's compliance with AORN recommendations. Indicator tracking compliance will be reported monthly, to the PI Committee, over a 90 day period. Statistics will be tracked via direct observation of surgeons prior to entering the surgical suite.

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A 749	<p>Continued From page 9</p> <p>hat was reusable and that he laundred his surgical hats at home.</p> <p>Interview with the facility's infection control nurse on 8/4/15 at 9:00 AM, in the Infection Control Office, revealed all reusable surgical attire, including hats, must be laundred after each use in the hospital's contracted laundry.</p> <p>Review of a facility policy "Proper Handwashing Technique-Hand Hygiene" revised August 2014, revealed "according to CDC (Centers for Disease Control) guidelines, all personnel are required to use the following hand hygiene technique for using non-antimicrobial soap and water, or an alcohol based rub...This is to be done at the following intervals...always after removing gloves..."</p> <p>Observation on 8/5/15 at 12:00 PM, at the nursing station, revealed Licensed Practical Nurse (LPN) #1 preparing to obtain a blood glucose. LPN #1 entered the patient's room, washed the hands, and donned gloves in preparation for obtaining the blood glucose. Continued observation after the blood glucose was obtained revealed LPN #1 left the patient's room without removing the gloves, went to the nursing station, cleaned the blood glucose monitor, and then removed the gloves. LPN #1 then used the computer before going to the medication room to get insulin to give to the patient. LPN #1 then took the insulin to the patient's room, washed her hands, donned gloves, administered the insulin, removed the gloves, and went back to the medicine room.</p> <p>Interview with LPN #1 on 8/5/15 at 12:15 PM, in the medicine room, confirmed the LPN did not</p>	A 749	<p><b>CORRECTIVE ACTION:</b> Nursing staff will comply with all hand washing policies as set forth in the Infection Control Manual. 08/15/15</p> <p><b>IDENTIFY:</b> Surveillance of nursing staff was performed to isolate individuals who were not following policy and procedure.</p> <p><b>MEASURES:</b> Nursing staff will be in serviced regarding the principles of hand washing, particularly when donning and doffing gloves between dirty and clean procedures.</p> <p><b>MONITORING:</b> Performance Improvement Indicator will be implemented to track staff compliance. Indicator tracking compliance will be reported monthly, to the PI Committee, over a 90 day period. Statistics will be tracked via direct observation of nursing staff during glucometer use and additional procedures requiring the donning and doffing of gloves.</p>

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A 749	Continued From page 10 perform hand hygiene after removing the gloves following obtaining the blood glucose and after giving the insulin.	A 749		
A 812	482.43(b)(6) DOCUMENTATION OF EVALUATION  [The hospital must] include the discharge planning evaluation in the patient's medical record for use in establishing an appropriate discharge plan .... This STANDARD is not met as evidenced by: Based on medical record review and interview, the facility failed to document the discharge planning evaluation in the medical record for one discharged patient (#4) of two closed records reviewed.  The findings included:  Medical record review revealed Patient #4 was admitted to the facility on 7/13/15 with diagnoses including Tietze's Disease (an inflammatory condition in the chest wall) and Multiple Sclerosis. Medical record review revealed the patient was discharged to home on 7/16/15.  Review of the Initial Physical Assessment dated 7/13/15, revealed, in response to the question Community Resources Currently Used, "Home Health Agency: At Home Health."  Medical record review and interview with the Case Management Director on 8/4/15 at 10:50 AM, in the conference room, confirmed no documentation of a discharge plan was included. Interview continued at 11:00 AM, after the Director returned from her department with a copied page from the patient's medical record	A 812	<b>CORRECTIVE ACTION:</b> (see attached) A discharge planner flow chart has been created in our computer system. This form will be used for all patients with identified needs.  <b>IDENTIFY:</b> All patients with identified needs will have a discharge planner flow chart completed.  <b>MEASURES:</b> Random checks of inpatient records to ensure compliance with discharge planner flow chart.  <b>MONITORING:</b> Will monitor discharge planner flow charts for 90 days and report to PI Committee.	08/20/15

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A 812 Continued From page 11

A 812

titled "Record of Admission." The Director stated the page had been filed in the Case Management department. Review of the copied page revealed a handwritten notation, "07/14/15 pt [patient] states had HH [home health] in past, states no needs at this time." Further interview revealed one of the facility's three Case Managers rounded with the physician or the physician extender daily, reviewing each patient. Interview confirmed the rounding and the results of the discharge planning evaluations were not routinely documented in the individual medical records.

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53117	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____  B. WING: _____	(X3) DATE SURVEY COMPLETED  08/05/2015
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H 001 1200-8-1 Initial	During a State Licensure Survey completed on 8/5/15, no deficiencies were cited under 1200-8-1, Standards for Hospitals.	H 001		

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Division of Health Care Facilities

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P 001 1200-8-30 Initial

P 001

During a State Licensure Survey completed on 8/5/15, no deficiencies were cited under 1200-8-30, Standards for Pediatric Emergency Care Facilities.

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X8) DATE

STATE FORM

1/99

BZLN11

If continuation sheet 1 of 1

103

Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin		
Reference Number: XIX-D	Reviewed: 02-05	Revised: 02-10
Department: Pharmacy	Approved By: E. Crain, DPh	
JCAHO Standard: MM.6.10	Date Approved:	
United Regional Medical Center	Original Effective Date: 08-04	

*[Signature]* 8/8/15

### INTENT:

This policy has been developed to optimize Vancomycin therapy. Improper use of medications can result in either a subtherapeutic response to therapy or an overdose of medication. Both of these consequences can result in morbidity, mortality, and increased cost of care. It is the goal of the Clinical Activities Program to aid in safe and effective use of medications to meet the therapeutic needs of the patient.

### POLICY:

Upon receipt of an order for Vancomycin that has given the pharmacy department authority to dose, the pharmacist will determine the optimal dosing regimen based upon patient characteristics using the procedure outlined below. Initial doses of Vancomycin will be based on clinical parameters and established dosing guidelines. Subsequent dose adjustments will be made based on measured serum concentration; this policy targets Vancomycin trough levels of 5-15 mg/L. A level within this range is usually sufficient, but individualizing patient therapy based on the clinical picture is necessary.

### PROCEDURE:

#### 1. PROCEDURE FOR VANCOMYCIN ORDERS/INITIAL DOSING

##### a. The following information is required in order to determine proper dosing:

- Patient age, gender, weight, and height
- Serum creatinine
- Indication for Vancomycin therapy:
  - i. Vancomycin is **NOT** recommended for the following uses:
    - Routine surgical prophylaxis (unless allergic to beta-lactam antibiotics)
    - Treatment of a single positive blood culture for coagulase negative staphylococci.
    - Empiric treatment of febrile Neutropenic patients without strong evidence of gram positive infection
    - Selective decontamination of gastrointestinal tract
    - Primary treatment of antibiotic associated colitis (ACC)
    - Routine prophylaxis in very low-birth weight infants
    - Routine prophylaxis for patients on continuous or intermittent Hemodialysis
    - Use of Vancomycin for topical application or irrigation



Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin		
Reference Number: XIX-D	Reviewed: 02-05	Revised: 02-10
Department: Pharmacy	Approved By: E. Crain, DPh	
JCAHO Standard: MM.6.10	Date Approved:	
United Regional Medical Center	Original Effective Date: 08-04	

- Treatment chosen for dosing convenience of infections due to beta-lactam sensitive gram-positive microorganisms in patients with renal failure
- Continued empiric use for presumed infections in patients whose cultures are negative for beta-lactam resistant gram-positive organisms
- Systemic or local prophylaxis for infection or colonization of indwelling central or peripheral intravascular catheters
- MRSA colonization

b. Calculation of Loading Dose:

- A loading dose of 15-20 mg/kg of the patients *Actual Body Weight* (Maximum 2000 mg) **MAY** be necessary in seriously ill patients:
  - Osteomyelitis
  - Meningitis
  - ICU Patients
- Round dose to the nearest 250 mg

c. Calculation of Maintenance Dose:

- A maintenance dose of 10-15 mg/kg of the patient's *Actual Body Weight* is usually required (Maximum 1500 mg).
- Round dose to the nearest 250 mg
- Please refer to the Vancomycin dosing chart below for **estimated** dosing regimens based on patient weight and renal function.

d. Calculation of Maintenance Interval:

- The dosage interval is dependent upon the patient's renal function.
- Calculate a creatinine clearance (CrCl) from the serum creatinine (SCr).
  - Monitor serum creatinine at least once weekly. For patients who are on concomitant nephrotoxic drugs, monitor serum creatinine at least 3 times weekly.
  - Please refer to the Vancomycin dosing chart below for **estimated** dosing regimens based on patient weight and renal function

<b>Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin</b>		
<b>Reference Number:</b> XIX-D	<b>Reviewed:</b> 02-05	<b>Revised:</b> 02-10
<b>Department:</b> Pharmacy	<b>Approved By:</b> E. Crain, DPh	
<b>JCAHO Standard:</b> MM.6.10	<b>Date Approved:</b>	
<b>United Regional Medical Center</b>	<b>Original Effective Date:</b> 08-04	

### Calculation of Creatinine Clearance:

Please note the differences between male and female calculations.

- If the patient is greater than or equal to 65 years old, use a SCr of 1 mg/dL in calculating CrCl when the actual SCr is less than 1 mg/dL.
- For patients less than 65 years old, use their actual SCr value
- Use *Actual Body Weight* if less than *Ideal Body Weight*.
- Use *Adjusted Body Weight* if over 120% of *Ideal Body Weight*.

**Male:**  $\text{CrCl (ml/min)} = \frac{(140 - \text{age}) (\text{IBW in kg})}{(72)(\text{serum creatinine})}$

**Female:**  $\text{CrCl (ml/min)} = \frac{(140 - \text{age}) (\text{IBW in kg}) (0.85)}{(72)(\text{serum creatinine})}$

### e. Vancomycin Dosing Chart:

<b>Creatinine Clearance (CrCl)</b>	<b>20-30 ml/min#</b>	<b>30-39 ml/min#</b>	<b>40-59 ml/min</b>	<b>Greater than 60 ml/min</b>
<b>Actual Body Weight (kg)</b>				
<b>30-44 kg</b>	500 mg Q 48 hours	750 mg Q 48 hours	500 mg Q 24 hours	500 mg Q 12 hours
<b>45-65 kg</b>	750 mg Q 48 hours	500 mg Q 24 hours	750 mg Q 24 hours	750 mg Q 12 hours
<b>66-80 kg</b>	750 Q 24 hours	750 mg Q 24 hours	1000 mg Q 24 hours	1000 mg Q 12 hours
<b>81-99 kg</b>	750 mg Q 24 hours	1000 mg Q 24 hours	1250 mg Q 24 hours	1250 mg Q 12 hours
<b>Greater than 100 kg</b>	10 mg/kg Q 24h*	10-15 mg/kg Q 24h*	10-15 mg/kg Q 12h*	10-15 mg/kg Q 12h*

Consider choosing the more aggressive regimen for patients with a CrCl that is bordering two different regimens.

\*Round dose to nearest 250 mg. Maximum maintenance dose started empirically should be 1500 mg Q 12h

# In patients with a CrCl less than 40 ml/min, consider a loading dose of 15-20 mg/kg of the patient's *Actual Body Weight*.

<b>Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin</b>		
<b>Reference Number: XIX-D</b>	<b>Reviewed: 02-05</b>	<b>Revised: 02-10</b>
<b>Department: Pharmacy</b>	<b>Approved By: E. Crain, DPh</b>	
<b>JCAHO Standard: MM.6.10</b>	<b>Date Approved:</b>	
<b>United Regional Medical Center</b>	<b>Original Effective Date: 08-04</b>	

## 2. VANCOMYCIN DOSING IN PATIENTS WITH RENAL DYSFUNCTION:

- a. Patients with a creatinine clearance less than 20 ml/min:
  - Patients with renal insufficiency may be dosed with 15 mg/kg or 1000 mg X 1 dose, and then re-dosed once a random level is less than 15 mg/L.
  - A random level should be drawn 24 hours after the first dose.
  - After a couple of random or trough level assessments, a scheduled Vancomycin dosing regimen should be determined, if possible. Thereafter, the frequency of trough level determinations should be individualized for each patient.

## 3. VANCOMYCIN SERUM CONCENTRATION MONITORING:

- a. Routine monitoring of Vancomycin levels is **NOT** recommended because there is:
  - Little literature evidence to support it.
  - No reported correlation between Vancomycin peak levels less than 80 mcg/ml and related toxicities.
- b. Peak levels are **NOT** needed because:
  - Vancomycin exhibits time-dependent (time greater than MIC) killing rather than concentration-dependent killing (as in aminoglycosides).
  - Vancomycin has slow distribution into peripheral tissues making it difficult to identify the true peak.
  - Trough levels in an acceptable range correlate to peak levels within an acceptable range.
- c. Inclusion Criteria for Serum Trough Concentration Monitoring:
  - Poor renal function (CrCl less than 40-60 ml/min) or deteriorating/unstable renal function.
  - Patients with critical illness, sepsis, suspected or proven endocarditis, Osteomyelitis, cerebrospinal fluid shunt infections, or meningitis.
  - Patients not responding to antibiotic therapy.
  - Patients that could be potentially under dosed (morbidly obese patients-greater than or equal to 190% IBW, burns greater than 20% BSA, cystic fibrosis, febrile neutropenia)-measure trough before 2<sup>nd</sup> dose.
  - Refer to section 3 for dosing in patients with renal dysfunction.

Most patients do not require Vancomycin serum concentration monitoring due to the low concentration profile of the drug and good predictability of the Vancomycin dosing guidelines for producing therapeutic serum concentrations.

### d. Vancomycin Trough Level:

- Order only if patient meets inclusion criteria above.
- Collect first serum specimen 30 minutes or less prior to 3<sup>rd</sup> or 4<sup>th</sup> dose.

<b>Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin</b>		
<b>Reference Number:</b> XIX-D	<b>Reviewed:</b> 02-05	<b>Revised:</b> 02-10
<b>Department:</b> Pharmacy	<b>Approved By:</b> E. Crain, DPh	
<b>JCAHO Standard:</b> MM.6.10	<b>Date Approved:</b>	
<b>United Regional Medical Center</b>	<b>Original Effective Date:</b> 08-04	

- Subsequent levels once weekly (may need more frequent monitoring if patient has changing renal function or on concurrent nephrotoxic drugs).

e. Interpretation of Vancomycin Trough Level:

<b>Measured Trough Level (mg/L)</b>	<b>Dosing Adjustment</b>
Less than 5	<ul style="list-style-type: none"> <li>• If patient is on greater than or equal to Q24 hour regimen, dose more frequently.</li> <li>• If patient is on a Q12 hour regimen, increase dose by 250 mg Q12 hours.</li> </ul>
5 – 15	<ul style="list-style-type: none"> <li>• No Change</li> </ul>
15 – 20	<ul style="list-style-type: none"> <li>• Increase interval.</li> <li>• If concerned about adequate Vancomycin tissue penetration, such as in osteomyelitis or meningitis, a trough range between 15 -20 may be appropriate.</li> <li>• It may also be appropriate to target a trough level of 15-20 mg/l at the request of the physician.</li> </ul>
Greater than 20	<ul style="list-style-type: none"> <li>• Both dosing and interval adjustments may be necessary.</li> </ul>

- Obtain accurate documentation of dosing and serum collection times prior to level interpretation.
- Targeting trough levels between 5 -10 mg/L may be considered if Vancomycin is utilized with nephrotoxic agents such as aminoglycosides.
- Repeat a Vancomycin trough level prior to the 3<sup>rd</sup> dose of the new dosing regimen.

4. PHARMACIST'S ORDERS ON THE PATIENT'S CHART MUST CONTAIN:

- a. The calculated dose and interval (including a loading dose if appropriate).
- b. The route of administration (usually IVPB).
- c. Monitoring parameters:

<b>Title: Clinical Activities Program-Pharmacokinetic Dosing Protocol for Vancomycin</b>		
<b>Reference Number: XIX-D</b>	<b>Reviewed: 02-05</b>	<b>Revised: 02-10</b>
<b>Department: Pharmacy</b>	<b>Approved By: E. Crain, DPh</b>	
<b>JCAHO Standard: MM.6.10</b>	<b>Date Approved:</b>	
<b>United Regional Medical Center</b>	<b>Original Effective Date: 08-04</b>	

- Serum creatinine at least 2 times per week.
  - Vancomycin levels, when and if indicated.
- c. Signed "Per P&T Policy/RPH signature".

#### 5. DOCUMENTATION OF CLINICAL INTERVENTION:

- All actions should be documented on the CPSI intervention module or pharmacist intervention log if applicable.

Note: This includes interventions in which a charge was made and when a change was NOT made.

\* For Vancomycin orders that have not given the pharmacy department authority to dose per protocol, the Vancomycin Pharmacokinetic Consult Sheet (Appendix A) may be utilized to leave recommendations in the progress section of the patient's chart.

ASA

[illegible]

A701

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1339 SMIT LLE HIGH Y,  
MI V LE, TN 10 (931) 5 01

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4.03

45.40

45.40

.4 AUTHCD:868535

/15 20:22:22

TOTAL DEBIT

(11)

# END OF DAY CHECKLIST

A 701

DATE:

SCRUBS		OR	
CS BOWIE DICK		CS BIOLOGICAL	
SS BOWIE DICK (MONDAY)		CS DOCUMENTATION COMP	
SS FLASH BIOLOGICAL		SS DOCUMENTATION COMP	
DAILY DIAGNOSTICS		STERIS DOCUMENTATION COMP	
EXPIRATION HLD		HLD DOCUMENTATION COMP	
TOWEL PACKS		CHECK FOR INST FROM ER	
END OF DAY ROOM CLEANING		INSTRUMENTS TO DEPTS	
SHARPS BOX CLOSED		PULL NEXT DAY CASES	
NITROGEN,EQUIPMENT, SHARPS		SCOPES HANGING IN CABINET	
ENDOSCOPY CART CLEAN/STOCKED		OPEN BOX LOCKED/AVAILABLE	
		DELIVERED SUPPLIES PUT AWAY	
AM ROOM WIPEDOWN		UNUSED SUPPLIES PUT AWAY	
TEMPERATURE		CLEAN/MOP DECONTAM	
HUMIDITY		CLEAN/MOP CS	
WARMER TEMP TOP		CLEAN STERIS WORK AREA	
WARMER TEMP BOTTOM		EMPTY MOP BUCKET	
USED EQUIP CLEANED/RETURNED		UTILITY GLOVES SENT BE CLEANED	
STOCK OR ROOMS			
ANEST CART LOCKED/SHARPS			
BACKHALLWAY CLEAN/STOCK			
CYSTO TABLE CHARGING			
CAST CART STOCKED			
SDS FRIG TEMP			
RESTOCK IV TRAY		CRASH CART CHECKLIST	
SDS 1&2 CLEAN/MOP		ENTER CHARGES	
SDS BATHROOM CLEAN/MOP		OR LOG/CULTURE LOG	
CHECK SHARPS CONTAINERS		SURGERY SCHEDULE	
CHARTS READY FOR NEXT DAY		CHECK SHARPS	
DAI		POSTOP CALL BACKS	
LOCK ALL DOORS		PACU CLEAN/MOP	
LINEN		FRONT HALLWAY	
LOUNGE		HOLDING AREA CLEAN	
CLEAN LOUNGE BATHROOM		MAKE CHART PACKETS	
STAFF LOCKER ROOM		CHARGES TO PHARMACY	
STAFF BATHROOM		CHECK AFTER HOURS LOG	
Any malfunctioning equip/facility improvements to be reported daily to the surgical services director IE: malfunctioning sink stoppers			
		OPERATING ROOM TEMPERATURE 68-73 DEGREES F	
		HUMIDITY 30-60%	
MONDAY	AMBER	WARMER TEMPS 110 DEGREES F	
TU	KRISTY	PATIENT FOOD TEMP SHOULD BE MONITORED	
	CONN	DAILY. ANY ALTERATIONS OF ANY TEMPS/HUMIDITY	
THURS	ASHLEY	SHOULD BE REPORTED TO THE DIRECTOR OF SURGERY	
FRIDAY	CHRISTY	AND MAINTENANCE IMMEDIATELY	



INSERVICE  
CDC HANDWASHING RECOMMENDATIONS FOR HEALTHCARE  
RECEIPT OF EDUCATIONAL MATERIALS AND TEST

EMPLOYEE NAME	DEPARTMENT	DATE	HANDOUT	TEST
Beth Hiseley	MS	8-15-15	✓	✓ 100%
Patricia Wood	MS	8-15-15	✓	✓ 94%
Sandra Walker	MS	8-15-15	✓	✓ 94%
Lina Cook	MS	8-15-15	✓	✓ 100%
Amanda Boylan	MS	08/15/15	✓	✓ 100%
Linda Arnold	ER	8/15/15	✓	✓ 86%
Tara McCann	ER	8/15/15	✓	✓ 94%
Christy Michae	MS	8/15/15	✓	✓ 100%
Sherry Martin	ER	8/15/15	✓	✓ 100%
Lisa Winkler	ER	8/15/15	✓	✓ 86%
Rita Jones	Med/Surg	8/15/15	✓	✓ 100%
Ruth Woodrum	Med/Surg	8/15/15	✓	✓ 86%
Deborah	Med/Surg	8/15/15	✓	✓ 81%
			✓	✓ 100%

A 749

[illegible]

A 812

United Regional Medical Center

A CP

# Discharge Planner

Printed: 08/14/15 13:50 Page 1 of 1

## DISCHARGE PLANNER

**Factors Influencing Learning Needs:**

Confused, Hearing deficit, Pt exhibits appropriate learning skills.

08/14/15 13:46 {NADEAU C}

**Cognitive Limitations/Language Barriers:**

No.

08/14/15 13:46 {NADEAU C}

**Readiness to Learn:**

Eager.

08/14/15 13:46 {NADEAU C}

**Knowledge Base/Highest Grade Completed:**

8th grade.

08/14/15 13:46 {NADEAU C}

**Education Needs:**

Medications, Medical equipment.

08/14/15 13:46 {NADEAU C}

**Present Living Condition:**

Home alone.

08/14/15 13:46 {NADEAU C}

**Name of Primary Caregiver:**

Self, Family/SO.

08/14/15 13:46 {NADEAU C}

**Assistance/Support:**

Home Health.

08/14/15 13:46 {NADEAU C}

**Intended Destination Post Discharge:**

Nursing home.

08/14/15 13:46 {NADEAU C}

**Home Equipment:**

Ambulates w/cane.

08/14/15 13:46 {NADEAU C}

**Referrals:**

Nursing home.

08/14/15 13:46 {NADEAU C}

**Nurse's Notes:**

Notes: WILL GO TO HORIZON ON 8/15/15

08/14/15 13:46 {NADEAU C}

Nurse's signature: \_\_\_\_\_

PATIENT: A CPSI KEYS

NUMBER: CPSI0001 AGE: 52

SEX: F

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VR-1

PAGE: 1

115

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 08/10/2015  
FORM APPROVED  
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  440007	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING  B. WING _____	(X3) DATE SURVEY COMPLETED  08/03/2015
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NAME OF PROVIDER OR SUPPLIER  UNITED REGIONAL MEDICAL CENTER	STREET ADDRESS, CITY, STATE, ZIP CODE 1001 MCARTHUR ST MANCHESTER, TN 37355
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
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K 018 NFPA 101 LIFE SAFETY CODE STANDARD

Doors protecting corridor openings in other than required enclosures of vertical openings, exits, or hazardous areas are substantial doors, such as those constructed of 1 1/4 inch solid-bonded core wood, or capable of resisting fire for at least 20 minutes. Doors in sprinklered buildings are only required to resist the passage of smoke. There is no impediment to the closing of the doors. Doors are provided with a means suitable for keeping the door closed. Dutch doors meeting 19.3.6.3.6 are permitted. 19.3.6.3

Roller latches are prohibited by CMS regulations in all health care facilities.

This STANDARD is not met as evidenced by:  
Based on observations and testing, the facility failed to maintain the doors protecting the corridors.

The findings included:

1. Observation on 8/3/15 at 10:23 AM, revealed the bottom of the fire doors did not latch to the floor in the following locations: next to women's bathroom in main corridor, next to room 101, near medical surgery patient rooms, near progressive care unit, inside the surgery corridor, inside the operating room corridor, and across from engineering services room. NFPA 80, 3-4 (1999

K 018 CORRECTIVE ACTION

All fire doors will be repaired so that the bottom and top of such doors will latch. Some holes will have to be cut into the floor so that the mechanism can operate.

IDENTIFY

The maintenance department has identified several doors throughout the building where repairs have to be made.

MEASURES:

The maintenance director will educate all maintenance staff on the latching technique and operation of the fire and smoke barrier doors.

MONITORING

All fire and smoke barrier doors will be checked on a monthly basis for their operating functions. A 90 day focused performance improvement indicator will be developed to monitor all fire and smoke barrier doors for compliance.

09/18/15

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Any deficiency statement ending with an asterisk (\*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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K 018	Continued From page 1 Edition)  2. Observation of the registration office on 8/3/15 at 10:28 AM, revealed fire door was warp. NFPA 80, 15-2 (1999 Edition)  These findings were verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 018			
K 022	NFPA 101 LIFE SAFETY CODE STANDARD  Access to exits is marked by approved, readily visible signs in all cases where the exit or way to reach exit is not readily apparent to the occupants. 7.10.1.4          This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the exits signs.  The findings included:  Observation of the main corridor helicopter pad exit on 8/3/2015 at 11:20 AM, revealed the exit sign was not illuminated. NFPA 101, 7.10.5.1 (2000 Edition)  This finding was verified by the plant operations	K 022	<b>CORRECTIVE ACTION</b> The exit sign on the main corridor helicopter pad exit was found to have a defective transformer. It was removed and replaced with a new one.  <b>IDENTIFY</b> This was the only Exit sign that was identified as needing repair.  <b>MEASURES</b> The Director of Plant Operations will educate all maintenance staff on checking all exit signs for illumination.  <b>MONITORING</b> The maintenance department will monitor all exit signs for illumination on a monthly basis as to be in compliance with NFPA 101 7.10.5.1 (2000 edition). A focused 90 day PI monitor will be developed to ensure compliance.	08/15/15	

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K 022 Continued From page 2

director during the survey and acknowledged by  
the chief executive officer during the exit  
conference on 8/3/15.

K 066 NFPA 101 LIFE SAFETY CODE STANDARD

Smoking regulations are adopted and include no  
less than the following provisions:

(1) Smoking is prohibited in any room, ward, or  
compartment where flammable liquids,  
combustible gases, or oxygen is used or stored  
and in any other hazardous location, and such  
area is posted with signs that read NO SMOKING  
or with the international symbol for no smoking.

(2) Smoking by patients classified as not  
responsible is prohibited, except when under  
direct supervision.

(3) Ashtrays of noncombustible material and safe  
design are provided in all areas where smoking is  
permitted.

(4) Metal containers with self-closing cover  
devices into which ashtrays can be emptied are  
readily available to all areas where smoking is  
permitted. 19.7.4

This STANDARD is not met as evidenced by:  
Based on observations, the facility failed to  
comply with the required adopted smoking  
regulations.

The findings included:

K 022

K 066 CORRECTIVE ACTION

All ash trays were removed from the premises  
and metal containers with self-closing cover  
devices were installed.

**IDENTIFY**

All ash trays were removed except in the  
designated smoking area.

**MEASURES**

All employees and patients have been informed  
that there is only one area in which they can  
smoke. All department managers were  
informed via an interoffice memorandum.

**MONITORING**

The safety department will monitor daily for  
smoking in unauthorized areas. A 90 day  
focused PI monitor will be developed to ensure  
compliance and reported at the monthly PI  
committee meeting.

08/07/15

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NAME OF PROVIDER OR SUPPLIER  <b>UNITED REGIONAL MEDICAL CENTER</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>1001 MCARTHUR ST MANCHESTER, TN 37355</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETION DATE
K 066	Continued From page 3  Observation of the outside designated smoking areas on 8/3/15 at 11:30 AM, revealed the facility failed to provide metal containers with self-closing cover devices into which ashtrays can be emptied readily available where smoking was permitted. National Fire Protection Association (NFPA) 101, 19.7.4 (2000 Edition)  This finding was verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.	K 066			
K 069	NFPA 101 LIFE SAFETY CODE STANDARD  Cooking facilities are protected in accordance with 9.2.3. 19.3.2.6, NFPA 96  This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the cooking facilities.  The findings included:  1. Observation of the kitchen on 8/3/15 at 11:53 AM, revealed the deep fat fryer and stove were not centered under the kitchen's hood extinguishing nozzles. NFPA 96, 7-2.2.1 (1998 Edition)  2. Observation of the kitchen on 8/3/2015 at 11:55 AM, revealed there was no placard identifying the use of the K type fire extinguisher as a secondary backup means to the automatic fire suppression system. The placard shall be conspicuously placed near each portable K type fire extinguisher in the cooking area. NFPA 96,	K 069	<b>CORRECTIVE ACTION</b> The deep fryer and the stove were realigned with the kitchen's hood extinguishing system nozzles. The wheels were locked to prevent them from moving.  <b>IDENTIFY</b> All of the kitchen cooking equipment was checked for alignment under the extinguishing systems nozzle.  <b>MEASURES</b> The Director of Plant Operations will educate all dietary staff on aligning the cooking equipment.  <b>MONITORING</b> The dietary department will monitor the cooking equipment and alert the maintenance staff if any of it is misaligned and be part of a focused performance improvement measure to be reported for the next 90 days at the monthly performance improvement meeting.	08/06/15	

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K 069	Continued From page 4 7-2.1.1 (1998 Edition)  These findings were verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.		K 069		
K 130	NFPA 101 MISCELLANEOUS  OTHER LSC DEFICIENCY NOT ON 2786  This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the corridor walls and the fire door labels.  The findings included:  1. Observation on 8/3/2015 at 10:20 AM, revealed the fire doors' and frame labels were painted in the following locations: near the dining room and near medical records. NFPA 80, 1-5.2  2. Observation on 8/30/2015 at 10:49 AM, revealed the corridor walls were not fully constructed to the roofing deck assembly in the following locations: A. Main corridor above dining hall, waiting area above dining hall. B. Waiting area above administration offices. C. Main corridor above administration offices. NFPA 101, 19.3.6.2.1 (2000 Edition)  3. Observation on 8/30/2015 at 10:55 AM, revealed penetrations in the corridor walls and the walls were not sealed at the roofing deck		K 130	<b>CORRECTIVE ACTION</b> All fire door labels that have been painted over will be stripped of the old paint and made legible. This job started on August 10, 2015 and will be completed by September 18, 2015. The hospital will then be compliant with NFPA 80, 1- 5.2  <b>IDENTIFY</b> Several labels have been identified on several doors.  <b>MEASURES</b> In the future, all labels will be taped over and the tape removed after painting.  <b>MONITORING</b> Each door will be monitored monthly. A focused PI monitor will be developed to ensure compliance and monitored for 90 days and be reported at the monthly PI committee meeting.	09/18/15



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			(X5) COMPLETION DATE

K 130 Continued From page 5

assembly in the following locations:

- A. Main corridor above dining hall, waiting area above dining hall.
  - B. Waiting area above administration offices.
  - C. Main corridor above administration offices.
  - E. Main corridor above respiratory and medical record rooms.
  - F. Firewall above cross corridor fire doors near medical surgery patient rooms.
  - G. Radiology corridor.
- NFPA 101, 19.3.6.2.1 (2000 Edition)

These findings were verified by the plant operations director during the survey and acknowledged by the chief executive officer during the exit conference on 8/3/15.

K 130 CORRECTIVE ACTION

08/24/15

Fire Stop Technologies were here on August 3, 2015, to inspect what corrections need to be made. We are still waiting on their report. A follow-up call will be made on Monday, August 24, 2015, to obtain a date when we can expect the report.

**IDENTIFY**

The Director of Plant Operations along with Anthony Patton and Jeff Ortnier with Fire Stop Technologies inspected the entire hospital to identify areas that needed fire caulk. This covered all areas identified by the Tennessee State Fire Safety Supervisor, Nelson Rodriguez.

**MEASURES**

The Director of Plant Operations has provided education to his staff on how to spot penetrations in smoke barrier walls. This was completed August 5, 2015.

**MONITORING**

After any job performed by an outside contractor or by the maintenance staff, all work is to be inspected for penetrations of any kind. A 90 day focused PI will be implemented and reported at the monthly PI committee meeting.

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53117	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - MAIN BUILDING  B. WING _____	(X3) DATE SURVEY COMPLETED  08/03/2015
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NAME OF PROVIDER OR SUPPLIER  UNITED REGIONAL MEDICAL CENTER	STREET ADDRESS, CITY, STATE, ZIP CODE 1001 MCARTHUR ST MANCHESTER, TN 37355
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(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 002	1200-8-1 No Deficiencies  Based on observations, testing and records review on 8/3/15, the facility had no deficiencies.	H 002		

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243  
[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

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November 2, 2015

Ashoke Mukherji  
481 Interstate Drive  
Manchester, TN 37355

RE: Certificate of Need Application -- United Regional Medical Center - CN1509-040  
For the relocation of an existing open MRI unit approved in CN0209—094A and an existing PET/CT unit approved in CN0409-089A from their current location at 1001 McArthur Street in Manchester (Coffee County) to URMHC's satellite hospital campus at 481 Interstate Drive in Manchester, a distance of approximately 3 miles. The project is the final part of the applicant's plan to consolidate all medical services at its current 481 Interstate Drive satellite campus acquired in July 2015 (the former Manchester Medical Center) and discontinue use of all medical services at its 1001 McArthur Street campus. The estimated Project Cost is \$986,691.00.

Dear Mr. Mukherji:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is [Trent.Sansing@tn.gov](mailto:Trent.Sansing@tn.gov) or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on November 2, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on January 27, 2016.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill  
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

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#### MEMORANDUM

TO: Trent Sansing, CON Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Andrew Johnson Tower, 2nd Floor  
710 James Robertson Parkway  
Nashville, Tennessee 37243

FROM: Melanie M. Hill *MMH*  
Executive Director

DATE: November 2, 2015

RE: Certificate of Need Application  
United Regional Medical Center - CN1509-040

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on November 2, 2015 and end on January 1, 2016.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Ashoke Mukherji

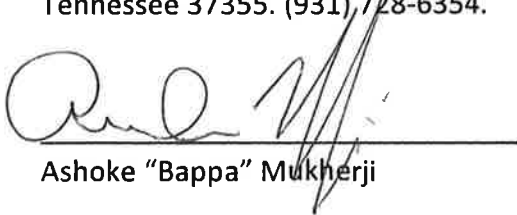
## LETTER OF INTENT

The Publication of Intent is to be published in The Tennessean which is a newspaper of general circulation in Coffee County, Tennessee, on or before September 10, 2015 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties. In accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency that United Regional Medical Center, an existing hospital owned by Coffee Medical Group, LLC with an ownership type of Limited Liability Company and to be managed by self-managed, intends to file an application for a Certificate of Need for the relocation of its Open-MRI and PET-CT scanner from their current location at 1001 McArthur Drive, Manchester, Tennessee to its satellite location at 481 Interstate Drive, Manchester, Tennessee and to cease medical operations at 1001 McArthur Drive, Manchester, Tennessee and establish 481 Interstate Drive, Manchester, Tennessee as its primary campus. The anticipated cost of the project is \$250,000.

The anticipated date of filing the application is September 15, 2015.

The contact person for this project is Ashoke Mukherji, 481 Interstate Drive, Manchester, Tennessee 37355. (931) 728-6354.



Ashoke "Bappa" Mukherji

9.10.15  
Date

[bappa.mukherji@unitymedctr.com](mailto:bappa.mukherji@unitymedctr.com)



Original  
SUPPLEMENTAL  
- #1

United Regional Medical  
Center

CN1509-040



## SUPPLEMENTAL RESPONSES

### 1. Formatting of the Application

The application as submitted in original and 2 copies with affidavit is noted. The majority of the application is missing page numbers. Please revise by sending a revised original with 2 copies with all pages correctly numbered and placed in the appropriate sequence.

*A revised original and two copies with page numbers has been submitted herewith.*

### 2. Section A, Applicant Profile, Item 1

The response indicates that the hospital is also known as Unity Medical Center. Review of the Tennessee Department of Health (TDH) Licensed Health Facilities Report as of 9/15/15 makes no mention of Unity Medical Center. The TDH report also shows the hospital address as 1001 McArthur Drive in Manchester. Please clarify.

*Coffee Medical Group has informed the TDH that it intends to change its name to Unity Medical Center and is submitting paperwork to CMS to effectuate said name change. Other insurance carriers currently co-list the facility name as Unity Medical Center and United Regional Medical Center. The principal hospital address is currently listed as 1001 McArthur Drive; however, the application requests that the hospital address be changed to 481 Interstate Drive. The revised original application now reflects the current name and address.*

### 3. Section A, Item 4

The description of the ownership structure of the applicant LLC is noted. Please include an organizational chart that identifies all members of the LLC with a 5% or greater ownership interest, and identify the financial interests of the applicant and/or the applicant's owner in any other health care institution in TN.

*A list of the members of Coffee Medical Group, LLC is attached hereto as Supplemental Exhibit 3. The applicant and/or applicant's owner does not have any financial interests in any other health care institution in Tennessee. For completeness, Coffee Medical Group, LLC acquired 100% of Coffee County Hospital Group, Inc. which owned and operated a hospital and two rural health clinics. Those operations have been merged into the operations of Coffee Medical Group, LLC.*

### 4. Section A, Applicant Profile, Item 6

As noted in the application instructions, documentation of the applicant's legal interest in the site of the project is required. A copy of a title or deed from the Coffee County Assessor's office showing ownership by Coffee Medical Group, LLC could help in this regard. Please provide the documentation requested in the application instructions.

In your response, please include a brief description of the hospital facility located at 481 Interstate Drive, such as year constructed, date(s) and scope of major renovations or additions, if any, number of floors, etc.

*The 481 Interstate Drive building is owned by Coffee County Hospital Group, Inc. Coffee Medical Group, LLC acquired 100% of the stock of Coffee County Hospital Group, Inc. as of July 1, 2015. A copy of the Stock Purchase Agreement is attached hereto as Supplemental Exhibit 4. Coffee County Hospital Group, Inc. continues to exist as a wholly-owned subsidiary of Applicant.*

*The facility at 481 Interstate Drive is a steel and brick building sitting on 8 acres of land. Construction was completed in May 1984. It is approximately 44,000 square feet on one floor and will accommodate a plan of 49 beds. The facility has a 10 bed emergency room, surgical suites, sleep center and a full range of radiological diagnostic equipment as well as laboratory services.*

**5. Section A, Item 9 (Bed Complement Table)**

The applicant identifies 49 licensed beds in the table. However, the copy of the active hospital's license from the Tennessee Department of Health submitted in the application identifies 54 beds. Furthermore, 79 licensed beds are reflected in the 9/15/2015 "Licensed Facilities Report" on the TDH website. Please clarify.

*The Applicant requested that the TDH amend the Applicant's license to be for 49 beds. It is likely that the request has either not been processed or that it is not reflected on the Licensed Facilities Report. United Regional Medical Center was licensed for 54 beds and Medical Center of Manchester was licensed for 25 beds for a total of 79 licensed beds. The Applicant is not seeking to change the number of beds in this application.*

**6. Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B**

The response is noted. Is the applicant contracted with all TennCare MCOs available in its Coffee County service area? If not, please identify the MCO and current status of developments in this regard.

Will professional fees for MRI and PET/CT interpretation services by licensed radiologists be billed as a part of a global fee by the applicant? If not, what assurances apply such that the contract radiologists will hold Medicare and Medicaid provider certification and will be contracted with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

*Applicant is contracted with all TennCare MCOs available in its Coffee County service area. The professional fees are billed by Middle Tennessee Radiology ("MTR"), an independent company owned by Dr. Wendell McAbee, a board certified interventional radiologist. MTR is contracted with all TennCare MCOs available in the Coffee County service area.*

**7. Section B, Project Description, Item II.A, II.D and Item II.E**

**Item II.A** – Will both the 0.2 Tesla MRI the 1.5 Tesla MRI units be installed and operated in the modular building at its new location behind the hospital at 481 Interstate Drive? If not, what consideration was given, if any, to operating the 2 MRI units in the same area of the hospital? Please clarify. In your response,

please also briefly describe the modular building that will continue to house the existing 0.2T Open MRI unit approved in CN0209-094A, including, approximate square feet, number and type of rooms, areas for patient waiting, etc.

*The 1.5 Tesla MRI is currently installed at 482 Interstate Drive, a medical office building located across the street that is leased by Applicant, and is not in the hospital. The Applicant considered whether to install the 0.2 Tesla MRI at 482 Interstate Drive, but that would require renting additional square footage and installing additional shielding, etc. all at substantial cost. The Applicant already owns the modular building which has the requisite shielding. Thus, it is less expensive up front and on an ongoing basis to simply move the modular building.*

*The modular building is approximately 644 square feet. The building has one large room that houses the MRI, a small room for the technician to monitor the test and a small area to allow patients to change clothes. In practice, patients are not taken into the modular building until it is time for their test, eliminating the need for a waiting area in the modular building.*

What is the size, in square feet, of the area at the 481 Interstate Drive hospital campus that will house the existing PET/CT unit approved in CN0409-089A? What are the arrangements for use of common areas by the service such as reception, patient waiting, clinical support activities, etc.? Is this an increase or decrease from its current site at the applicant's 1001 McArthur Drive facility?

*The square footage that will house the PET/CT scanner is 1,040 square feet, approximately the same size as at the Applicant's 1001 McArthur Street facility. Reception for all outpatient services including the PET/CT is done at the front entrance of the hospital where there is a common patient waiting area. At the appropriate time, either the technician comes to get the patient to escort them to the testing area or the patient is escorted by a hospital volunteer. Support for the PET/CT is like support for any other imaging service provided by the hospital and is supported by the imaging department, which has general office space in the facility.*

**Item II.D** – please provide a response that briefly summarizes the need to change location of the 2 medical equipment units.

*As part of the plan presented to TDH, the Applicant seeks to consolidate all medical operations at one location at 481 Interstate Drive, discontinue using the 1001 McArthur Street location and to sell the 1001 McArthur Street campus to be redeveloped as a nursing home. Moreover, it is more economically efficient and it is a convenience to the patients to have all services at one location.*

**Item II.E**— It is understood the project does not involve the acquisition of additional MRI or PET/CT units. However, it would be helpful to have an appreciation of the following information for both the existing open MRI and the PET/CT units:

a) Model type and dates of manufacture

*Siemens Magnetom Concerto 0.2T manufactured April 2003*

*Philips Gemini w/Brilliance TMCT manufactured 2006*

- b) Annual maintenance service cost for both units (include copy of active vendor service agreement for same)

*The Applicant does not have a maintenance contract for the MRI and pays time and materials for any repairs or servicing. This cost for last 12 months totaled \$24,012.54.*

*The service contract for the PET/CT is with Philips at \$9,157 per month, or \$109,884 per year. The service contract expires 10/25/2016.*

- c) Current estimated value of each unit (e.g. vendor's estimated resale value)

Estimated value for MRI is approximately \$60,000

Estimated value for PET/CT is approximately \$275,000

- d) Years of operation and remaining useful life

MRI: 2003-current with 3 years or remaining useful life

PET/CT: 2006-current with 6 years of remaining useful life

- e) Most frequently used clinical applications

MRI: MRI of the head and spine

PET/CT: whole body PET scan

**8. Section B, Item III (Plot Plan)**

Please show and label the location of the MRI modular building and include the acreage of the site on a revised plot plan.

*A revised plot plan that more clearly identifies the location of the MRI modular building has been attached hereto as Supplemental Exhibit 8.*

**9. Section C, Need, Item 1**

The responses are noted. Given the prior approved Certificates of Need for both services and the purpose of the proposed project to relocate same to the hospital's new location, responses to the specific criteria for MRI and PET/CT services will not be necessary for this project.

However, please provide a response for the project specific criteria that apply to construction, renovation or replacement and the 5 Principles of the State Health Plan. For your convenience, the questions that apply to each are contained in the exhibits at the end of this questionnaire.

*Aside from the relocation of the equipment, the only other alternative is to keep the equipment at the existing location. While this alternative would have a lower initial cost since no action was necessary, it would have a much higher cost in the long run. The additional costs over time are due to the fact that Applicant would have to retain ownership or lease the 1001 McArthur Street facility that houses the equipment. Moreover, Applicant would have to repair and maintain the old facility and it would necessitate more staff to check patients into the old facility. By consolidating the operations, Applicant can sell the old facility and no longer be liable for the costs of maintenance including property taxes. Moreover, it is a significant convenience for patients for all the operations to be located in the same area.*

*As demonstrated in the Historical & Projected Utilization Charts, there is considerable usage of the equipment. Moreover, with the consolidation of the two hospitals, Applicant expects for there to be even greater utilization. As demonstrated elsewhere, the population of Coffee County is growing which would suggest further demand. Removing these services from Manchester would burden patients that would have to travel over 20 miles to have them performed.*

*I. Improving the health of Tennesseans*

*Availability of standard diagnostic testing is essential to improve the health of the citizens over time. This application seeks to keep offering services that are needed and well utilized in the community and provide them with better economic efficiency and patient convenience. The Applicant measures the usage of all its diagnostic services to ensure appropriate usage.*

*II. Reasonable access to health care*

*By moving these diagnostic services to the main hospital campus, the Applicant is making the services more accessible, especially to indigent patients where additional transportation requirements may be very burdensome. The proposal also improves information provided to patients since the diagnostic services will be offered in a location where more medical professionals are located making it easier to answer patient questions.*

*III. Addressing the needs while encouraging markets and economic efficiencies*

*The main thrust of this application is to improve economic efficiencies by eliminating the costly burden of maintaining diagnostic services in two separate locations only three miles apart, thereby lowering the cost of healthcare. If Applicant were not allowed to move the license and diagnostic services, it would have to consider terminating these diagnostic services altogether, which would result in a less competitive market with the services only being offered in Tullahoma.*

*IV. Monitoring standards and improving quality*

*The proposal will help providers adhere to professional standards by offering diagnostic services that are a part of the standard of care for a wide variety of medical conditions. If Applicant were unable to perform the proper diagnostics, the quality of care would fall drastically.*

*V. Development of health care workforce*

*The proposal will maintain the workforce that currently supports these services. If Applicant were no longer to offer these services, employment would be negatively affected. Allowing Applicant to move its license to 481 Interstate Drive also improves employment opportunities. First, it would allow Applicant to sell 1001 McArthur Street for redevelopment as a nursing home. Currently, there are almost no jobs being supported by Applicant's use of 1001 McArthur Street. Also,*

*since the consolidation of medical services to 481 Interstate Drive (Open MRI and PET/CT excluded), the Applicant has experienced such additional volume that it is currently seeking to hire over ten additional nurses.*

**10. Section C, Need, Item 2 (Applicant's Long Range Development Plans)**

Review of HSDA records reflects that the site approved in United Regional Medical Center, CN0707-060AME (with expiration date recently extended to April 11, 2017), remains as "an unaddressed site containing approximately 23 acres at the southeast corner of the intersection of McArthur Drive and Oak Drive in Manchester". As such, it appears that the future site of the applicant's replacement hospital approved in CN0707-060AME may be different than the current hospital site in the former Manchester Medical Center at 481 Interstate Drive address in Manchester. Has the applicant decided to not pursue the replacement hospital project and surrender CN0707-060AME? Please clarify by describing the hospital's development plans in this regard.

*In light of the acquisition of Medical Center of Manchester, the Applicant has decided not to pursue the replacement hospital project at this time and will agree to surrender CN0707-060AME upon the approval of the present application.*

**11. Section C, Need, Item 3 and Item 4.a**

Item 3 - Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.

**Coffee County Resident MRI and PET/CT Utilization, 2014**

Year	Resident MRI Procedures At UPMC 2014	Resident MRI Procedures at all Other MRI Providers in Coffee County 2014	Resident PET/CT Procedures at UPMC 2014	Resident PET/CT Procedures at all other PET/CT Providers in Coffee County 2014
2012	2,130	Not available	127	Not available
2013	1,614	Not available	82	Not available
2014	1,574	Not available	83	Not available

*Please note that Applicant does not yet have access to information for MRI and PET/CT procedures for other providers in Coffee County in 2014.*

**Item 4.a** - The attachment for this response provides demographics for Manchester, Tennessee using data from the US Census Bureau. Please complete the table below use population data for the applicant's Coffee County primary service area identified in the application. Sources for the data are identified at the top of the table.

**September 25, 2015**

**12:26 pm**

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	*Target Population-Projected Year as	Median Age (1)	Median Household Income (2)	Person Below Poverty Level	Person Below Poverty Level as	TennCare Enrollees	TennCare Enrollees as % of Total
Coffee County	53,361	53,361	0%	53,361	53,361	100%	100%	39.7	37618	6803	20.9	13,382	25.1%
State of TN Total	6,495,866	same	0%	NA	NA	NA	NA	35.9	44298	747K	17.6	1,447K	22.3%

\*Target population is population that project will primarily serve.....

(1) Can be located under Fact Finders.

(2) Can be located under Quick Facts

## 12. Section C, Need. Item 5 (Historical Utilization in PSA)

Please provide a snapshot of provider MRI utilization trends in Coffee County from 2011-2013 is shown below.

**MRI and PET/CT Provider Summary, Coffee County**

Service	# Units	2011 Scans	2012 Scans	2013 Scans	% Change '11-'13
MRI	3	6,383	6,089	4,885	(23.5%)
PET/CT	2	130	166	120	(7.7%)

## 13. Section C, Need, Item 6 (Applicant's Projected Utilization)

The projected utilization is noted. Please complete the tables below for the subject MRI and PET/CT units identified in the proposed project. Please also complete the table provided below showing the combined inpatient and outpatient utilization for the hospital's imaging services department. Information for this request is available from the HSDA Equipment Registry - please contact Alecia Craighead, Stat III for further assistance, if necessary.

**Table 1-Applicant's Historical & Projected MRI Utilization**

	2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
0.2T Unit	2,130	1,614	1,574	(26.1%)	1,574	1,574	1,574
1.5T Unit	0	0	0	0	360	720	720
Total	2,130	1,614	1,574	(26.1%)	1,934	2,294	2,294

**Table 2-Applicant's Historical & Projected PET/CT Utilization**

2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
127	82	83	(34.6%)	65	70	70



**September 25, 2015****12:26 pm****Table 3-Applicant's Historical & Projected Utilization, Imaging Services Department**

<b>Imaging Service</b>	<b># Units (as of 8/2015)</b>	<b>2014</b>	<b>2015 (estimated)</b>	<b>Year 1 (projected)</b>
MRI	1,067	1,574	1,934	2,294
PET/CT	43	83	65	70
CT	1,733	1,966	3,646	4,330
Mammography	488	792	732	720
Nuclear Medicine	444	579	753	882
Ultrasound	1,672	2,236	2,782	3,793
Mammography	Above	Above	Above	Above
Other (specify)	5,549	7,288	9,358	14,459
<b>Total</b>	<b>10,996</b>	<b>14,518</b>	<b>19,270</b>	<b>26,548</b>

**14. Section C, Economic Feasibility, Items 1 (Project Costs Chart) and II (Funding)****Item I**

Please provide a letter from an architect or licensed contractor that identifies the scope of the construction work to be completed at the hospital for installation of the MRI and PET/CT units, the estimated costs, and the primary building and safety codes that apply.

*Supplemental Exhibit 14, Item 1 is attached hereto. The remaining moving costs were based on the Applicant's estimate based on the cost of the initial installation.*

There appears to be no costs included in Item A.7 of the chart for service and maintenance of the MRI and PET/CT units. Please clarify.

*The Applicant does not maintain a service contract on the MRI and pays time and materials for any necessary repairs or maintenance. The Applicant did not include the maintenance contract for the PET/CT in its original application. A revised chart of those expenses is included as an attachment.*

The applicant states that it plans to finance the project through a commercial loan. Please show the methodology used to determine the financing costs for Item C.3 of the chart.

*The Applicant anticipates closing a \$12.4 million term note with ServisFirst Bank on or about September 29, 2015. A portion of the loan proceeds would be utilized for this project. The financing costs for this project were based on the interest rate and amortization schedule of this loan adjusted for the fact that the project cost (without contingency) is approximately \$200,000. Please note that the \$750,000 Line of Credit referenced in the Financing Commitment letter has already closed and funded.*

Please identify the actual out of pocket cash outlay the applicant expects to need to fund the start-up costs of the project.

*The only out-of-pocket cash outlay is the \$3,000 CON application fee since that fee was payable before the date of the loan closing.*



**September 25, 2015****12:26 pm**Item II

The signature page appears to be omitted from the 8/3/15 commitment letter from the lender for up to \$13,200,000 in credit facilities, including a \$12,400,000 secured loan and a \$750,000 revolving line of credit. Please provide a fully executed copy of the document.

*A revised copy of the commitment letter that has been initialed by both parties has been attached hereto as Supplemental Exhibit 14.II. Please note that the commitment letter itself did not contain separate signature lines, but was initialed as accepted and approved by both parties. While this seems informal for a commitment for a \$13.2 million credit facility, each party was comfortable with the nature of the acceptance evidenced by the fact that the \$750,000 line of credit has already closed and funded.*

Since the funding needed is less than \$200,000 for this project, please briefly explain why a loan of such a magnitude is necessary in light of the security provisions of the commitment letter.

*The financing commitment was obtained to refinance existing long term liabilities, pay off certain past due tax obligations, fund this project and provide additional working capital.*

Review of the Balance Sheet and Statements of Income in the audited financial statements revealed current assets amounting to approximately \$3.3 million lower than current liabilities and net operating income of \$7,092 for the period ending December 31, 2013. Please discuss further the plans for repaying the loan amount for the project from cash reserves or operating proceeds of the parent LLC.

*The consolidation of the two facilities created a great deal of cost saving synergies, including reduction in duplicative staff, eliminating the cost of maintaining two emergency departments, retaining the most favorable insurance contracts, etc. Prior to the consolidation of the two facilities, each hospital was struggling to generate sufficient cash flow to maintain operations. In the two months since the hospitals have been combined, the Applicant is profitable, even after taking into account the higher debt payments as a result of the consolidation and financing transaction. There are more than adequate operating proceeds to service the loan.*

**15. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)**Both Charts

Please provide charts for the hospital's MRI service and PET/CT service.

Please provide a breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services. HSDA's current template for same is included as an exhibit at the end of this questionnaire.

**September 25, 2015****12:26 pm**

*In the original application, the Applicant failed to include the maintenance costs for the MRI and the PET/CT. The Applicant pays no fees to radiologists as they bill for their services directly. Please see the attached Exhibit C, Economic Feasibility, Item 4 attached hereto.*

Historical Data Chart – Capital Expenditures

This section identifies costs pertaining to 2 items – principle & interest. However, the applicant includes entries for a third cost item immediately below the Net Operating Income line for each of the 3 years. As a result, it appears that the total capital expenditures costs may be overstated. Please clarify.

*The third cost item is the amount Applicant spent during the year on capital expenditures for new equipment, computers, etc. If that is in error, the Net Operating Income (Loss) total should be adjusted accordingly.*

**16. Section C., Economic Feasibility, Items 5 and 6.a.**

Item 5 – HSDA Equipment Registry records reflect average gross charge amounts for PET/CT and MRI that match the amounts provided in the response. As noted previously, please provide Historical and Projected Data Charts for each service to help facilitate confirmation of average deduction and net revenue rates.

Item 6.a - Please also include a comparison to HSDA Equipment Registry MRI range of charges in the response (1<sup>st</sup> Quartile, Median, 3<sup>rd</sup> Quartile).

Item 6.b – please also provide a comparison to the current allowable Medicare rates for MRI and PET/CT.

*HSDA Equipment Registry range of gross charges for MRI:*

*1<sup>st</sup> Quartile: \$1,632.60*

*Median: \$2,229.43*

*3<sup>rd</sup> Quartile: \$3,677.84*

*Applicant is between the above the 1<sup>st</sup> Quartile and below the median gross charge.*

*While the Medicare allowable rate for an MRI vary based on the specific procedure, the average is approximately \$300.*

*HSDA Equipment Registry range of gross charges for PET:*

*1<sup>st</sup> Quartile: \$3,800.00*

*Median: \$4,821.25*

*3<sup>rd</sup> Quartile: \$6,332.00*

*Applicant is below the 1<sup>st</sup> Quartile gross charge.*

*While the Medicare allowable rate for a PET vary based on the specifics, the average is approximately \$1,100.*

**17. Section C, Economic Feasibility, Item 9**

Please show the percentages by payor in Year 1 of the project by completing the table below.

**September 25, 2015****12:26 pm****MRI Service Payor Mix, Year 1**

<b>Payor Source</b>	<b>Gross Revenue Year 1</b>	<b>% of Total Gross Revenue Year 1</b>	<b>Average Gross Charge per Procedure</b>
Medicare	\$1,189,716	34.3%	\$1,846
TennCare	\$724,004	20.9%	\$1,923
Managed care	\$955,169	27.5%	\$1,462
Commercial	\$495,065	14.3%	\$1,995
Self-Pay	\$104,464	3.0%	\$1,938
Other	\$0	0.0%	\$0
<b>Total</b>	<b>\$3,468,418</b>	<b>100.0%</b>	<b>\$1,755</b>

**PET/CT Service Payor Mix, Year 1**

<b>Payor Source</b>	<b>Gross Revenue Year 1</b>	<b>% of Total Gross Revenue Year 1</b>	<b>Average Gross Charge per Procedure</b>
Medicare	\$142,602	65.2%	\$3,260
TennCare	\$19,955	9.1%	\$3,193
Managed care	\$25,543	11.7%	\$3,270
Commercial	\$10,500	4.8%	\$3,360
Self-Pay	\$20,254	9.3%	\$1,620
Other	\$0	0.0%	\$0
<b>Total</b>	<b>\$218,854</b>	<b>100.0%</b>	<b>\$3,257</b>

**18. Section C, Orderly Development, Item 4**

What arrangements are planned for MRI and PET/CT imaging interpretation services by Tennessee licensed radiologist?

*Imaging interpretation will continue to be conducted by Middle Tennessee Radiology, the company that has been providing this services to Applicant for over twelve years. Dr. Wendell McAbee is a Tennessee licensed radiologist that provides the bulk of the imaging interpretation.*

In your response, please briefly describe the nature and scope of medical supervision for the hospital's imaging department.

*Dr. Wendell McAbee of Middle Tennessee Radiology provides the medical supervision for Applicant's imaging department. Dr. McAbee is a board certified interventional radiologist and has provided medical supervision of the Applicant's imaging department for over twelve years. He has also provided medical supervision at Stones River Hospital (Woodbury, TN), DeKalb Regional (Smithville, TN) and Riverpark Regional (McMinnville, TN) Jeff Wolf is the director of the imaging department.*

**September 25, 2015****12:26 pm****19. Section C, Orderly Development, Item 7.d**

The applicant's plan of correction for deficiencies identified during the August 3-5 recertification survey by the Tennessee Department of Health (TDH) is noted. It appears the survey was conducted at UPMC's main campus at 1001 McArthur Street in Manchester. However, the applicant notes in the executive summary that virtually all medical operations were consolidated at the 481 Interstate Drive hospital campus after the acquisition of the former Manchester Medical Center effective July 1, 2015. As such, was the campus at 481 Interstate Drive in Manchester also a part of the survey? Please clarify.

*The most recent survey by TDH included the 481 Interstate Drive hospital campus and the surveyors spent most of their time at the 481 Interstate Drive campus since it is the primary hub of medical activity at this time.*

The August 12, 2015 letter from TDH appears to indicate that compliance must be met by the hospital no later than 45 days from the survey or on or before September 19, 2015. Please provide an update on the status of the follow-up visit by TDH and documentation from TDH that attests to correction of the recertification survey deficiencies at your earliest opportunity on or before September 30, 2015.

*Applicant will provide the requested documentation when it is available.*

**September 25, 2015****12:26 pm****Exhibit 3 – Section C, Economic Feasibility, Item 4 (Other Expenses Detail)****HISTORICAL DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<b>Year 2012</b>	<b>Year 2013</b>	<b>Year 2014</b>
1. MRI maintenance charges	\$ 950	\$ 6,410	\$ 13,809
2. PET/CT maintenance contract	113,063	103,805	112,069
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
<b>Total Other Expenses</b>	<b>\$114,013</b>	<b>\$110,215</b>	<b>\$125,878</b>

**PROJECTED DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<b>Year 2015</b>	<b>Year 2016</b>
1. MRI maintenance charges	\$21,208	\$28,607
2. PET/CT maintenance contract	109,884	91,570
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
<b>Total Other Expenses</b>	<b>\$131,092</b>	<b>\$120,177</b>



**September 25, 2015**

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**SUPPLEMENTAL EXHIBIT 3**

<b>Name</b>	<b>Shares</b>	<b>New Interests Issued</b>	<b>%age</b>
Ashoke Mukherji	4.4	2	2.01%
Evelyn Case Trust	6.7		2.10%
Asok Banerjee(deceased) transferred to Maya Banerjee	1		0.31%
Becky Higgins	0.4		0.13%
Betty Aukeman	0.4		0.13%
Bradford Brock	2		0.63%
Brenda Knight	1		0.31%
Catherine Mukherji	2		0.63%
Chitra Mukherji	5	14	5.96%
Cindy McFarlane Williamson	0.2		0.06%
Clara Underwood	0.2		0.06%
Dennis and Suzanne Eades	0.4		0.13%
Dorothy Qualls	0.2		0.06%
Douglas Haynes	24.7	10	10.88%
Anjali Mukherji	1		0.31%
Fred Hoover	1		0.31%
G. Jackson Jacobs	1		0.31%
Glenn Davis	2.9	8	3.42%
Harrison Yang	2		0.63%
Harry Burck, Jr.	1		0.31%
Janet Yu	2		0.63%
Jeff Lawhon	2		0.63%
Jeffrey Stirnemann	1		0.31%
Joseph Caten (deceased) transferred to Darlene Caten	1		0.31%
Joyce Yu	2		0.63%
Judith Starr	0.2		0.06%
Lori McVey	3.2		1.00%
Lynne Cole	1		0.31%
M. Todd Stewart	2		0.63%
Mansfield Family Living Trust	4		1.25%
Margaret Downs	0.2		0.06%
Mark Williams	0.2		0.06%
Martha McCormick	2.6	1	1.13%
Maya Banerjee	2		0.63%
Michael Moran	2		0.63%
Michael R. Cruz and Bonnie Cruz Revocable Living Trust	1		0.31%
Mid Ohio Securities Corp. FBO Charles Morgan IRA	1		0.31%
Mike Niederhauser	1		0.31%
Nigel Fontenot	1		0.31%
Oscar Spivey	4		1.25%
Paio-Fu Huang	2		0.63%
Pamela Jernigan	7.3	2	2.92%
Rana Mukherji	2		0.63%
Ray and Betty Troop	3		0.94%
Robert Kirby	1		0.31%
Ruth Trivett	1		0.31%
S. M. Shelly	2		0.63%
Suneetha Nuthalapaty	4	6	3.13%
Timothy Fisher	4		1.25%
United Regional Investors Group	127.4		39.94%
Vinay Maudar	1		0.31%
Wendell McAbee	6.1	6	3.79%
Jason Haslam	0	6	1.88%
Jeff Peterson	0	4	1.25%
James VanWinkle	0	4	1.25%
William Colby Stewart	4		1.25%
WMD	0.3		0.09%
<b>Total</b>	<b>256</b>	<b>63</b>	

Supplemental  
September 25, 2015

12:26 pm  
Exhibit

**STOCK PURCHASE AGREEMENT**

**DATED JULY 9, 2014**

**BY AND AMONG**

**COFFEE COUNTY HOSPITAL GROUP, INC., ALBERT R. BRANDON,  
J. DAVID SULLIVAN, J. STANLEY ROGERS, BOBBY COUCH  
JAMES E. BARMES and WILLIAM D. DANIEL**

**(as SELLER)**

**AND**

**COFFEE MEDICAL GROUP, LLC**

**(as BUYER)**

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## **SUPPLEMENTAL #1**

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**September 25, 2015**

**12:26 pm**

**STOCK PURCHASE AGREEMENT**

THIS **STOCK PURCHASE AGREEMENT**, is made and entered into as of the 9th day of July, 2014, by and among **COFFEE COUNTY HOSPITAL GROUP, INC. dba MEDICAL CENTER OF MANCHESTER**, a Tennessee S corporation ("MCM"), **ALBERT R. BRANDON, J. DAVID SULLIVAN, J. STANLEY ROGERS, BOBBY COUCH, JAMES E. BARMES and WILLIAM D. DANIEL** (collectively, "Seller"), and **COFFEE MEDICAL GROUP, LLC dba UNITED REGIONAL MEDICAL CENTER**, a Tennessee limited liability company ("Buyer").

**WITNESSETH:**

**WHEREAS**, Seller owns all of the issued and outstanding capital stock of MCM;

**WHEREAS**, MCM engages in the business of delivering health care services to the public through a critical access hospital located at 481 Interstate Drive, Manchester, TN 37355 and two rural health clinics (the "Facilities");

**WHEREAS**, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of the issued and outstanding shares of capital stock of MCM (the "MCM Shares"), such transaction being referred to herein as the "Transaction";

**NOW, THEREFORE**, in consideration of the premises and the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto to hereby agree as follows:

**ARTICLE 1: DEFINITIONS**

**Section 1.1 Certain Defined Terms.** For purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" of a specified person shall mean any corporation, partnership, sole proprietorship or other person or entity which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the person specified.

The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Cost Report" shall mean the cost report required to be filed, as of the end of a provider cost year or for any other required period, with cost-based Payors with respect to cost reimbursement.

"Cost Report Settlements" shall mean all right, title and interest of MCM or any Subsidiary in assets resulting from the finalization with Payors of amounts due with respect to Cost Reports.

"Equipment" means fixed machinery and equipment, other fixtures and fittings, movable plant, machinery, equipment and furniture, trucks, tractors, trailers, and other vehicles, tools and other similar items of tangible personal property (i) that are not consumed, disposed of or held for sale or as Inventory in the ordinary course of business, and (ii) that are owned or leased by or consigned to MCM or any Subsidiary as of the closing.

"Inventory" means all of MCM's or any Subsidiary right, title and interest in and to inventories and supplies, drugs, food, janitorial and office supplies, maintenance and shop supplies, and other similar items of tangible personal property intended to be consumed, disposed of or sold, in the ordinary course of business that are owned by or consigned to MCM or any Subsidiary as of the Closing.

"Knowledge" of a party shall mean the direct and actual knowledge of the person, or for an entity, the collective direct and actual knowledge of the persons who serve as of the date of this Agreement as the duly elected officers of such party, assuming the discharge of such person's duties in the ordinary course of business.

"Laws" shall mean all statutes, rules, regulations, ordinances, orders, codes, permits, licenses and agreements with or of federal, state, local and foreign governmental and regulatory authorities and any order, writ, injunction or decree issued by any court, arbitrator or governmental agency or in connection with any judicial, administrative or other non-judicial proceeding (including, without limitation, arbitration or reference).

"Leased Real Property" shall mean the land, Facilities and real property improvements (whether owned or leased) which are held by MCM or any Subsidiary pursuant to the Real Property Leases and which are identified in Schedule 1.1-1, together with all construction work-in-progress in respect thereof and rights, privileges and easements appurtenant thereto.

"Licenses" shall mean certificates of need, accreditations, registrations, licenses, permits and other consents or approvals of governmental agencies or accreditation organizations.

"Other Contracts" shall mean all contracts and agreements to which MCM or any Subsidiary is a party as of the Closing, other than Real Property Leases, including, but not limited to the contracts identified on Schedule 1.1-2, which contains a list of the following categories of Other Contracts: constructions contracts relating to construction work-in-progress at a Facilities; equipment leases (whether operating or capitalized leases), installment purchase contracts where the annualized lease or installment payments exceed \$25,000; contracts or arrangements binding on a Subsidiary or the Facilities which contain any covenant not to compete or otherwise significantly restrict the nature of the business activities in which such Subsidiary or Facilities may engage; employment contracts, if any, between MCM, any



Subsidiary or any Facilities and any person providing services for such Facilities; collective bargaining agreements, if any; Medicare and Medicaid provider numbers and provider agreements, and provider agreements with other Payors; and any other contracts pursuant to which MCM or any Subsidiary paid or received over \$25,000 during its last fiscal year; provided, however, that Schedule 1.1-2 need not list an Other Contract if all material obligations of MCM and/or the Subsidiary thereunder have been, or prior to the Closing will be, completed or MCM, or MCM or the Subsidiary is entitled, or has or by the Closing will have exercised a right, to terminate the contract without penalty on 90 days' notice or less.

"Organizational Documents" shall mean, for a corporation, the Charter or Articles of Incorporation, and Bylaws, along with any amendments, and for any other entity, the documents that created the entity and provide for its governance and the rights of its equity owners.

"Owned Real Property" shall mean the real property owned in fee by MCM or any Subsidiary that is identified on Schedule 1.1-3, together with the Facilities located thereon, construction work-in-progress, and all other buildings and improvements thereon, and all rights, privileges, permits and easements appurtenant thereto.

"Payor" shall mean Medicare, Medicaid, CHAMPVA, TRICARE, TennCare, Blue Cross/Blue Shield or any other third party payor (including an insurance company), or any health care provider (such as a health maintenance organization, preferred provider organization, peer review organization, or any other managed care program).

"Person" shall mean any present or future natural person or any corporation, association, partnership, joint venture, limited liability, joint stock or other company, business trust, trust, organization, business, entity, or governmental authority.

"Prepayments" shall mean advance payments, prepayments, prepaid expenses, deposits and the like made by MCM or any Subsidiary in the ordinary course of business prior to the Closing, which exist as of the Closing and with respect to which MCM or any Subsidiary will receive the benefit after the Closing, and other items recorded as prepaid expenses by MCM and the Subsidiaries.

"Real Property Leases" shall mean all leases pursuant to which MCM or any Subsidiary holds a leasehold interest in land, Facilities and/or real property improvements, all of which are identified on Schedule 1.1-4.

"Receivables" shall mean all of MCM's or any Subsidiary's right, title and interest as of the Closing in and to accounts receivable recorded by MCM or such Subsidiary as an account receivable from Payors, patients and other third parties, including, but not limited to, Cost Report Settlements.

"Taxes" shall mean (i) all federal, state, county and local sales, use, property, payroll, recordation and transfer taxes, (ii) all state, county and local taxes, levies, fees, assessments or surcharges (however designated, including privilege taxes, room or bed taxes and user fees) which are based on the gross receipts, net operating revenues or patient days of a Facilities for a period ending on, before or including the Closing Date (as defined in Section 2.7) or a formula taking any one of the foregoing into account, and (iii) any interest, penalties and additions to tax attributable to any of the foregoing.

"Transferred Business Names" means all right, title and interest of MCM or any Subsidiary in and to the business names set forth in Schedule 1.1-5.

## **ARTICLE 2: BASIC TRANSACTIONS**

**Section 2.1 Conveyance of MCM Shares.** On the Closing Date, Seller will convey, transfer and assign to Buyer all the Seller's right, title and interest in and to the MCM Shares, free and clear of all liens, claims, charges and encumbrances of any kind whatsoever.

### **Section 2.2 Purchase Price; Post-Closing Adjustment.**

(a) The purchase price (the "Purchase Price") in the aggregate for all of the MCM Shares shall be \$13,000,000, as adjusted pursuant to this Section 2.2, which price is based upon the retention by MCM and the Subsidiaries of all assets which they own or lease immediately prior to the Closing, including, but not limited to, working capital and Receivables, subject only to Section 2.3 below.

(b) The Purchase Price will be payable as follows: (i) Eleven Million Five Hundred Thousand and No/100 Dollars (\$11,500,000.00) payable in immediately available funds at Closing (the "Initial Amount"); (ii) 40 Membership Interest Units of Buyer to be allocated as provided in Schedule 2.2(b) and to equal, at Closing, an assumed value of One Million and No/100 Dollars (\$1,000,000.00); and (iii) Five Hundred Thousand and No/100 Dollars (\$500,000.00) to be placed in an escrow account (the "Escrowed Funds") for a period of one (1) year.

(c) Within 30 days after the Closing, Seller shall deliver to Buyer a balance sheet (the "Closing Balance Sheet") of MCM as of the Closing Date, which shall be prepared in accordance with generally accepted accounting principles, in a manner consistent with the methods and principles used by MCM in preparing its financial statements on the date of this Agreement. Buyer shall provide Seller with access to the books and records of MCM and the Subsidiaries and the cooperation of their employees in connection with such preparation. Seller shall also at that time prepare and deliver a statement computing a "Post-Closing Adjustment Amount" equal to the difference between the Working Capital of MCM as of June 30, 2014 and the Working Capital of MCM as reflected on the Closing Balance Sheet. For purposes of this Section 2.2, "Working Capital" shall mean the sum of the following categories on the Closing Balance

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Sheet: (i) Cash, (ii) Net Patients Accounts Receivable, (iii)[intentionally omitted], (iv) Other Accounts Receivable, and (v) Other Current Assets, less (i) Accounts Payable, (ii) Accrued Expenses and (iii) Other Current Liabilities. The following categories shall not be included in the computation of Working Capital: (i) Current Portion of Capital Leases and (ii) Current Portion of Long-Term Debt.

(d) Buyer shall have a period of 15 days from the date of delivery to it of the Closing Balance Sheet and the Post-Closing Adjustment Amount statement to object to the determination of the Post-Closing Adjustment Amount, computed as aforesaid. In the event of an objection from Buyer, the parties shall agree on a public accounting firm. If the parties cannot agree, a public accounting firm chosen by Buyer and a public accounting firm chosen by Seller shall choose a third public accounting firm, which shall have a period of 15 days in which to review the Closing Balance Sheet and the statement showing Seller's computation of the Post-Closing Adjustment Amount. The amount so decided shall be the final determination of the Post-Closing Adjustment Amount, which determination, absent fraud, shall be conclusive and binding. If the first two accounting firms are unable to agree upon a third accounting firm to make the final determination, such an accounting firm shall be appointed in accordance with the then-current rules of the American Arbitration Association. The fees and expenses of the third accounting firm shall be shared equally by Buyer and Seller.

(e) Upon the determination of the Post-Closing Adjustment Amount as provided for in the preceding two paragraphs, the Purchase Price to be paid by Buyer hereunder shall be adjusted downward by the amount of the Post-Closing Adjustment Amount, if necessary. In no event shall the Post Closing Adjustment Amount increase the amount of the Purchase Price to be paid by Buyer hereunder. Such downward adjustment, if required, shall be deducted from the Escrowed Funds within ten days after final determination of the Post-Closing Adjustment Amount.

**Section 2.3 Excluded Assets.** Notwithstanding any contrary provision of this Agreement, the parties acknowledge and agree that the following described assets of MCM and the Subsidiaries and the assets listed on Schedule 2.3 (collectively, "Excluded Assets") are not intended to be included in the Transaction and that Seller, MCM and the Subsidiaries may take such actions as are reasonably necessary to cause MCM and the Subsidiaries to sign all of their respective right, title and interest in and to such Excluded Assets to Seller (or a person or entity designated by Seller) immediately prior to the Closing: all proprietary materials, documents, information, media, methods and processes owned by Seller, and any and all rights to use the same, including, but not limited to, all intangible assets of an intellectual property nature such as trademarks, service marks and trade names (whether or not registered) other than the Transferred Business Names, proprietary computer software, proprietary procedures and manuals, promotional and marketing materials (including all marketing and computer hardware and software); provided, however, that Buyer shall have the rights set forth in Section 2.5.

**Section 2.4 Employee Matters.** Schedule 2.4 lists all "employee pension benefit plans" ("Pension Plans") within the meaning of Section 3(2) of the Employee Retirement Income



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Security Act of 1974, as amended ("ERISA"), in which employees (as defined in Subsection (b) below) directly employed to work at the Facilities participate. Neither Seller nor MCM nor any Subsidiary is a party to, nor do any such employees participate in, any "multiemployer plans" within the meaning of Section 3(37) of ERISA. Seller shall, or shall cause the Subsidiaries to, (i) terminate as of the Closing Date the active participation of all such employees in the Pension Plans, (ii) cause the Pension Plans to make timely appropriate distributions, to the extent required, to such employees in accordance with, and to the extent permitted by, the terms and conditions of such Pension Plans, and (iii) in connection with the termination of the active participation of all such employees in such Pension Plans, comply, and cause each Pension Plan to comply, with all applicable Laws. Prior to the Closing, Seller shall have delivered to Buyer, for information purposes only, forms of any letters or other written communications which Seller or the Subsidiaries shall distribute generally to such employees notifying them of their rights in respect of their cessation of active participation in the Pension Plans.

**Section 2.5 Use of Names and Manuals.** (a) Although trade names of Seller, other than the Transferred Business Names, are Excluded Assets, such names may appear on certain fixtures and Equipment, and on supplies, materials, stationery and similar consumable items which will be on hand at the Facilities at the Closing. Notwithstanding that such names are Excluded Assets, Buyer shall be entitled to use such consumable items for a period of three months following the Closing and shall have up to six months following the Closing to remove such names from fixed assets, provided that Buyer shall not send correspondence or other materials to third parties on any stationery that contains a trade name (other than a Transferred Business Name) of Seller or any Affiliate of Seller. (b) Seller hereby grants to Buyer the non-exclusive right and license to use, solely in connection with the operation of the Facilities, the clinical policy and procedures manuals of Seller (the "Manuals") presently used at the Facilities. Such license shall be on the following terms and conditions: (i) Buyer shall accept the Manuals in their present condition, "AS IS" and "WITH ALL FAULTS" and without any representation or warranty of any kind whatsoever, either express or implied, by Seller, including, but not limited to, any representation or warranty that the Manuals are adequate for Buyer's operation of the Facilities after the Closing or are in compliance with any Laws; (ii) Buyer agrees that Seller shall have no obligation whatsoever to update or otherwise revise the Manuals, even if Seller or its Affiliates are revising similar manuals at other healthcare facilities, and that Buyer shall have sole responsibility for updating and revising such manuals; (iii) Buyer acknowledges and agrees that the Manuals are confidential and proprietary information of Seller and its Affiliates and Buyer agrees that it will not, directly or indirectly, reproduce, distribute or disclose the contents of the Manuals except as may be required in the operation of the Facilities (including, but not limited to, as may be required by any Laws) and shall exercise due care to otherwise preserve and protect the proprietary nature thereof; and (iv) Buyer shall diligently implement its own policy and procedure manuals promptly following the Closing Date.

**Section 2.6 Procedure for Consents or Default.** The transfer of the MCM Shares, in the absence of the consent or authorization of a third party, could constitute a breach or default under a lease, agreement, encumbrance, obligation or commitment or could adversely affect

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the rights, or increase the obligations, of Buyer, Seller, MCM or any Subsidiary with respect thereto. If any such consent or authorization is not obtained before Closing, and transfer of such lease, agreement, encumbrance, obligation or commitment in the absence of such consent or authorization would be ineffective or would adversely affect the rights or increase the obligations of Seller, MCM, a Subsidiary or Buyer, with respect to any such lease, agreement, encumbrance or commitment, so that Buyer would not, in fact, receive all such rights, or assume the obligations of Seller, MCM or such Subsidiary with respect thereto, as they exist prior to Closing, then, in accordance with the procedures described in Section 2.8, Seller and Buyer shall, and Seller shall cause MCM and each Subsidiary to, enter into such reasonable cooperative arrangements as may be reasonably acceptable to both Buyer and Seller (including, without limitation, sublease, agency, management, indemnity or payment arrangements and/or other means to enforce, at the cost and for the benefit of Buyer and any and all rights of MCM and the Subsidiaries against an involved third party) to provide for Buyer the benefits of such items or to relieve Seller from the obligations of such items. The assignment of any contract, lease, agreement, encumbrance, obligation or commitment, including, but not limited to, Medicare, Medicaid and similar provider agreements, which may lawfully be made subject to customary conditions subsequent (such as needs surveys, evaluations of Buyer or other determinations by the counterparties to such agreements) shall be deemed not to constitute a default under, or to in any way adversely affect the rights or increase the obligations of Buyer with respect to, such lease, agreement, encumbrance or commitment, whether or not the counterparty indicates prior to the Closing that such condition or conditions subsequent are likely or not likely to be met.

**Section 2.7 Closing.** Subject to the terms and conditions hereof, the consummation of the Transactions (the "Closing") shall occur at a mutually agreeable time and place but in no event later than the Termination Date set forth in Section 10.1(b). The date on which the Closing actually occurs is referred to herein as the "Closing Date". The Closing shall be effective for all purposes at 11:59 p.m. Eastern Time on the Closing Date. At the Closing, and subject to the terms and conditions hereof, the following will occur:

(a) Deliveries by Seller. Seller shall deliver, or cause the Subsidiaries to deliver, to Buyer: (i) A certificate or certificates representing the MCM Shares, together with stock powers duly executed in blank; (ii) The documents and instruments required pursuant to Section 8.7; and (iii) Such other instruments of transfer executed by Seller as may be reasonably necessary or advisable to transfer to and vest in Buyer all of Seller's right, title and interest in and to the MCM Shares.

(b) Deliveries by Buyer. Buyer shall deliver to Seller: (i) Immediately available funds, by way of wire transfer to an account or accounts designated by Seller, in an amount equal to the Initial Amount, as adjusted by the expenses due at Closing pursuant to Section 5.5; and (ii) the amount of Membership Interest Units of Buyer required by Section 2.2(b)(ii); and (iii) The documents and instruments required to be delivered pursuant to Section 9.7.

**Section 2.8 Resolution of Cooperative Arrangements.** In the event that circumstances exist that require the parties to negotiate in good faith cooperative arrangements under Section 2.6 or potential amendments to this Agreement pursuant to Sections 8.5 then and in such event, such negotiations, and the resolution of disagreements arising therefrom, shall be conducted in accordance with the provisions of this Section 2.8. The parties shall negotiate such cooperative arrangements in good faith prior to any scheduled Closing Date (as may be extended by mutual agreement of the parties). If the parties are unable to agree by the day prior to such scheduled Closing Date, then such scheduled Closing Date (and the Termination Date, if necessary) shall be extended for up to 15 business days to provide for the opportunity to resolve such disagreement pursuant to the provisions of this Section 2.8. On the day the Closing would have occurred but for the absence of agreement between the parties, each party shall designate an individual (who may not be a present or former officer, director, partner or employee of the party or of any present or former investment banker, accounting firm, law firm or attorney of or for the party) to mediate such disagreement, and advise the other party in writing of the identity of such individual, which advice shall be accompanied by a list of up to 10 suggested neutral individuals to serve as a third mediator. The mediators originally designated by each party shall promptly confer about the selection of a third mediator from such lists, and within five business days following the originally scheduled Closing Date (or Termination Date, as the case may be), the originally designated mediators shall agree upon and (subject to availability) select the third mediator from the lists submitted by the parties or otherwise, provided that if the originally designated mediators fail to agree upon a third mediator by such date, the third mediator shall be designated by the American Arbitration Association in accordance with its then-current rules. The three mediators so selected are herein referred to as the "Panel". Within two business days following the designation of the third mediator, each party shall submit to the Panel in writing, its proposed cooperative arrangements. Such proposals shall be materially in accordance with the last proposals made by such party to the other party during the course of the aforementioned good faith negotiations between the parties. The parties shall additionally submit such memoranda, arguments, briefs and evidence in support of their respective positions, and in accordance with such procedures, as a majority of the Panel may determine. Within seven business days following the designation of the third mediator, the Panel shall, by majority vote, select the proposed cooperative arrangements proposed by one of the parties, it being agreed that the Panel shall have no authority to alter any such proposal in any way. Thereafter, the parties shall, subject to the terms and conditions of this Agreement, consummate the Transactions on the basis of such selected cooperative arrangements, amendments or adjustments at a mutually agreeable time and place or places, in accordance with the provisions of Section 2.7, which shall be no later than the fifteenth business day following the originally scheduled Closing Date or such later date as the parties may agree upon. Subject to the foregoing, the Panel may determine the issues in dispute following such procedures, consistent with the language of this Agreement, as it deems appropriate to the circumstances and with reference to the amounts in issue. No particular procedures are intended to be imposed upon the Panel, it being the desire of the parties that any such disagreement shall be resolved as expeditiously and inexpensively as reasonably practicable. No member of the Panel shall have any liability to the parties in connection with

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service on the Panel, and the parties shall provide such indemnities to the members of the Panel as they shall request.

**Section 2.9 Limitation of Aggregate Liability to the Escrowed Funds.** Notwithstanding anything to the contrary in this Agreement, except in the case of fraud, the aggregate amount of Seller's liability for all cost report settlements, Post Closing Adjustment Amount, breaches of warranties and/or representations and indemnifications shall not exceed the amount of the Escrowed Funds. The full amount of the Escrowed Funds less deductions for the aforementioned items shall be released from escrow and paid to Seller one year from Closing.

### **ARTICLE 3: REPRESENTATIONS AND WARRANTIES OF SELLER**

Each Seller, severally and not jointly hereby represents and warrants to Buyer, as of the date hereof, as follows, except as disclosed in Schedule 3:

**Section 3.1 Organization and Corporate Power.** MCM is a corporation duly incorporated and validly existing under the laws of, and is authorized to exercise its corporate powers, rights and privileges and is in good standing in, the State of Tennessee and has full corporate power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it.

**Section 3.2 MCM and Subsidiaries.** (a) Each of MCM and each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation (which in each case is indicated on Schedule A-1) and is duly qualified and in good standing as a foreign corporation in all jurisdictions in which such qualification is required by reason of its business, properties or activities in or relating to such jurisdictions (which is likewise indicated on Schedule A-1), except where the failure to be so qualified will not have a Material Adverse Effect (as defined in Section 3.4) on MCM or the applicable Subsidiary. (b) (i) All of the outstanding capital stock of MCM has been duly authorized and is validly issued, fully paid and nonassessable and is owned beneficially and of record by Seller, except as provided on Schedule 3.2 hereto. Other than the Shareholders' Agreement by and among MCM and the Seller, which will be terminated at Closing, there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire any shares of capital stock of or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of MCM, except as provided on Schedule 3.2 hereto. (ii) All of the outstanding capital stock of each Subsidiary has been duly authorized and is validly issued, fully paid and nonassessable and, except as indicated on Schedule A-1, is owned beneficially and of record by MCM. Except as provided in Schedule A-1, there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire any shares of capital stock of or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of any Subsidiary. (c) Upon consummation of the Transaction, Buyer will acquire valid title to the MCM Shares, free and clear of all liens, charges, pledges or security interests (except for those created or allowed to be suffered by Buyer) and free of any restrictions on voting and transfer.



(d) No corporate act or proceeding on the part of MCM or any Subsidiary or their respective boards of directors or shareholders is necessary to authorize the Transaction.

**Section 3.3 Authority Relative to this Agreement.** The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby have been duly and effectively authorized by the board of directors of MCM; no other corporate act or proceeding on the part of MCM, its board of directors or its stockholders is necessary to authorize this Agreement, any such other agreement or the transactions contemplated hereby and thereby. This Agreement has been, and each of the other agreements contemplated hereby will as of the Closing have been, duly executed and delivered by Seller, and this Agreement constitutes, and each such other agreement when executed and delivered will constitute, a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

**Section 3.4 Absence of Breach.** Subject to the provisions of Sections 3.5 and 3.6 below regarding private party and governmental consents and any regulatory or licensing Laws applicable to the businesses and assets represented by the Transferred Assets, the execution, delivery and performance by Seller of this Agreement and all other agreements contemplated hereby or executed in connection herewith (the "Related Agreements"), do not (a) conflict with or result in a breach of any of the provisions of the Articles or Certificates of Incorporation or Bylaws or similar charter documents (the "Charter Documents") of Seller, of MCM or of any of the Subsidiaries, (b) contravene any Law or cause the suspension or revocation of any License presently in effect, which affects or binds Seller or MCM or any of the Subsidiaries, or any of their material properties, except where such contravention, suspension or revocation will not have a Material Adverse Effect (as defined below) on MCM and the Subsidiaries and will not affect the validity or enforceability of this Agreement and the Related Agreements or the validity of the Transaction contemplated hereby and thereby, or (c) conflict with or result in a breach of or default under any indenture or loan or credit agreement or any other agreement or instrument to which Seller or any of the Subsidiaries is a party or by which it or they or any of their properties may be affected or bound, the effect of which conflict, breach, or default, either individually or in the aggregate, would be a Material Adverse Effect on MCM and the Subsidiaries. As used herein, a "Material Adverse Effect": (a) when used with respect to a Facilities, means a material adverse effect on a Facilities and on the businesses operated therefrom, including their condition (financial or otherwise) and results of operations, taken as a whole; and (b) when used with respect to an entity, such as Seller, MCM, a Subsidiary or Buyer, means a material adverse effect on the business, condition (financial or otherwise) and results of operations of such entity taken as a whole (including any subsidiaries of such entity); provided, however, that no material adverse effect will be deemed (either alone or in combination) to constitute, nor will be taken into account in determining whether there has been or may be, a Material Adverse Effect to the extent that it arises out of or relates to: (a) a

general deterioration in the United States economy, in the economy of the geographic region in which MCM principally operates or in the industry(ies) in which MCM operates; (b) any change in accounting requirements or principles imposed upon MCM or any change in applicable Laws or the interpretation thereof; (c) entry into this Agreement or the disclosure of the fact that the Buyer is the prospective acquirer of MCM or consummation of the transactions contemplated hereby; (d) the announcement or pendency of the transactions contemplated hereby; or (e) compliance with the terms of, or the taking of any action required by, this Agreement; (f) changes in general regulatory, weather or political conditions or changes that adversely affect companies in the same or similar industries as MCM; (g) the outbreak or escalation of hostilities involving the United States, the declaration of the United States of a national emergency or war or the occurrence of any other calamity or crisis, including acts of terrorism;; or (h) actions taken or omitted to be taken pursuant to the express terms of this Agreement; provided, further, that in each of the cases of clause (a) through (b) above only to the extent that such change, effect, or circumstance, either alone or in combination, does not have a disproportionate effect on the business, financial condition, or results of operations of MCM taken as a whole relative to other industry participants.

**Section 3.5 Private Party Consents.** Except as set forth on Schedule 3.5, the execution, delivery and performance by Seller of this Agreement and the Related Agreements do not require the authorization, consent or approval of any non-governmental third party of such a nature that the failure to obtain the same would have a Material Adverse Effect on MCM and the Subsidiaries.

**Section 3.6 Governmental Consents.** The execution, delivery and performance by Seller of this Agreement and the Related Agreements do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or governmental agency of such a nature that the failure to obtain the same would have a Material Adverse Effect on the Transferred Assets, except for such governmental authorizations, consents, approvals, certifications, licenses and orders that customarily accompany the transfer of health care facilities such as the Facilities.

**Section 3.7 Brokers.** No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with this Agreement or the Transaction contemplated hereby based upon any agreements or arrangements or commitments, written or oral, made by or on behalf of Seller or any of its Affiliates. Seller shall be solely responsible for the payment of any such fee or commission to any person or entity listed on Schedule 3.7 as an exception to the foregoing.

**Section 3.8 Title to Personal Property.** Each Subsidiary has good and defensible title, or valid and effective leasehold rights in the case of leased property, to all tangible personal property owned by such Subsidiary or used in the operations of the applicable Facilities, free and clear of all liens, charges, claims, pledges, security interests, equities and encumbrances of any nature whatsoever, except for those created or allowed to be suffered by Buyer and except for the following (individually and collectively, the "Permitted Encumbrances"): (a) the lien of

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current taxes not delinquent, (b) matters that when viewed in the aggregate, do not have a Material Adverse Effect on MCM and the Subsidiaries, (c) such consents, authorizations, approvals and Licenses as are referred to in Sections 3.5 and 3.6, (d) liens, charges, claims, pledges, security interests, equities and encumbrances which will be discharged or released either prior to, or substantially simultaneously with, the Closing, and (e) liens created under or pursuant to the Real Property Leases.

**Section 3.9 Contracts and Leases.** Except for matters that, when viewed in the aggregate, do not have a Material Adverse Effect on MCM and the Subsidiaries, to the best of Seller's current actual knowledge (a) there is no liability to any person by reason of the default by Seller, MCM or a Subsidiary under any Real Property Lease or Other Contract, (b) neither Seller nor MCM nor any Subsidiary has received written or other notice that any person intends to cancel or terminate any Real Property Lease or Other Contract, (c) all of the Real Property Leases and Other Contracts are in full force and effect, (d) subject to the provisions of Sections 3.5 and 3.6, the consummation of the transactions contemplated by this Agreement will not constitute and, to the best of Seller's current actual knowledge, no event has occurred which, with or without the passage of time or the giving of notice, would constitute a breach or default by Seller, MCM or a Subsidiary of such Real Property Lease or Other Contract or would cause the acceleration of any obligation of Seller, MCM or any Subsidiary or the creation of any lien (except for Permitted Encumbrances) upon any asset of MCM or any Subsidiary, and (e) neither Seller nor MCM nor any Subsidiary has knowingly waived any right under any Real Property Lease or Other Contract.

**Section 3.10 Licenses.** To the best of Seller's current actual knowledge, and except for such matters which, in the aggregate, do not have a Material Adverse Affect on MCM and the Subsidiaries, (a) MCM possesses all Licenses necessary for their operation of the Facilities at the locations and in the manner presently operated, (b) if required, such Facilities are accredited by applicable accrediting agencies as necessary for their operations in the manner presently operated, (c) such Facilities are certified for participation in the Medicare and applicable Medicaid programs and have current and valid provider contracts with such programs, and (d) there is no matter which would adversely affect the maintenance of any such Licenses, program participations or accreditations.

**Section 3.11 Employee Relations.** With respect to the employees of MCM and the Subsidiaries: (a) Neither Seller nor MCM nor any Subsidiary nor any Facilities is a party to any agreement with any union, trade association or other similar employee organization, no written demand has been made for recognition by a labor organization, and to the best of Seller's current actual knowledge no union organizing activities by or with respect to any such employees are taking place; and (b) There are no controversies (including, without limitation, any unfair labor practice complaints, labor strikes, arbitrations, disputes, work slowdowns or work stoppages) affecting a material number of such employees pending, or to the best of Seller's current actual knowledge, threatened.

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**Section 3.12 Employee Plans.** Except for the Pension Plans, and except as set forth on Schedule 3.19(d) hereto, neither MCM nor any Subsidiary has established or maintains or is obligated to make contributions to or under or otherwise participate in any Employee Benefit Arrangement. To the best of Seller's current actual knowledge all such Employee Benefit Arrangements have been operated and administered in all material respects in accordance with, as applicable, ERISA, the Code, Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act of 1967, as amended, the age discrimination in employment act of 1967, as amended, the Americans with Disabilities Act, as amended, and the related rules and regulations adopted by those federal agencies responsible for the administration of such Laws. All accrued benefits under any such Employee Benefit Arrangement will be fully funded at the Closing Date except as provided in Schedule 3.12 attached hereto. Notwithstanding the foregoing, the parties acknowledge that MCM lists PTO as an accrued liability, but that no actual fund or set aside exists in that amount to fund PTO; rather, PTO is paid as it is used by employees. To the best of Seller's current actual knowledge, no act or failure to act by Seller, MCM or any Subsidiary has resulted in a "prohibited transaction" (as defined in ERISA) with respect to any employee benefit plan, and no "reportable event" (as defined in ERISA) has occurred with respect to any such employee benefit plan.

**Section 3.13 Litigation.** Except for ordinary routine claims and litigation incidental to the businesses represented by the Facilities (including, but not limited to, actions for negligence, professional malpractice, workers' compensation claims, so-called "slip-and-fall" claims and the like), and governmental inspections and reviews customarily made of businesses such as those operated from the Facilities, there are no actions, suits, claims or proceedings pending, or to the current actual knowledge of Seller, threatened against or affecting MCM or the Subsidiaries or relating to the operations of the Facilities, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, agency or instrumentality. Schedule 3.13 sets forth identifying information and a brief description with respect to any pending or, to the current actual knowledge of Seller, MCM and the Subsidiaries, threatened claims or litigation against MCM, the Subsidiaries or the Facilities (i) where the amount in controversy exceeds \$100,000, (ii) which involve any alleged violation of any Laws or (iii) which could otherwise be reasonably expected to have a Material Adverse Effect on MCM or the applicable Subsidiary.

**Section 3.14 Inventory.** All Inventory of the Facilities will, at the Closing Date, consist of a quality and quantity usable and salable in the ordinary course of business, except for items of obsolete materials and materials of below-standard quality, all of which in the aggregate are immaterial to the financial condition or results of operations of the businesses operated from the Facilities taken as a whole, or have been, or prior to Closing will be, written down to realizable market value.

**Section 3.15 Hazardous Substances.** To the best of Seller's current actual knowledge, except as may be disclosed by the Environmental Survey (as defined in Section 6.2(b)): (a) There are no Hazardous Materials (as defined below) upon, about, beneath or migrating or threatening to migrate to or from the Owned Real Property or the Leased Real Property or the



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existence of any violation in any material respect of any Laws relating to industrial hygiene, Hazardous Materials and environmental protection ("Environmental Regulations"); and (b) There is no proceeding or action pending or threatened by any person or governmental agency regarding the environmental condition or occupational safety of the Facilities. "Hazardous Materials" shall mean any substance (including, without limitation, any asbestos, formaldehyde, radioactive substance, hydrocarbons, polychlorinated biphenyls, industrial solvents, flammables, explosives and any other hazardous substance or toxic material) which, in any material respect, is known to cause, as of the date of this Agreement, a health, safety or environmental hazard and require remediation at the behest of any governmental agency.

### **Section 3.16 Financial Information and Related Matters.**

(a) To be attached hereto as Schedule 3.16(a) within seven days after the execution and delivery of this Agreement is an unaudited statement of certain combined earnings from the operations of the Facilities (as they were comprised on the as of date of such schedule) before interest, income taxes, depreciation and amortization ("EBITDA") for the fiscal year ended December 31, 2013 (the "EBITDA Statements") and for the three months ended March 31, 2014. To the best of Seller's current actual knowledge, the EBITDA Statements present fairly the combined EBITDA of such operations, taken as a whole, as of the dates and for the periods shown, and were derived from and are in accordance with the internal books and records of MCM and the Subsidiaries and the regularly prepared unaudited internal financial statements of the Facilities, which are prepared on a basis materially in accordance with the generally accepted accounting principles utilized in the preparation of the published financial statements of Seller.

(b) Attached hereto as Schedule 3.16(b) is a regularly prepared internal unaudited combined balance sheet of the Facilities as of December 31, 2013 (the "Balance Sheet"; collectively, the Balance Sheet and the EBITDA Statement are the "Financial Schedule"). The Balance Sheet has been prepared from, and is in accordance with, the internal books and records of MCM and the Subsidiaries and, to the best of Seller's current actual knowledge, presents fairly the financial condition of the Facilities, taken as a whole, as of the date shown. The Balance Sheet was prepared in accordance with Seller's practices for the preparation of internal financial statements, consistently applied, and is materially in accordance with the generally accepted accounting principles utilized in the preparation of the published financial statements of Seller.

(c) Notwithstanding the foregoing, the Financial Schedule does not (i) reflect allocations of indirect costs and overhead or the corresponding cost reimbursement impact of claiming such costs in a Facilities cost report, (ii) reflect all intercompany eliminations, adjustments and accruals that are reflected in financial statements of Seller, (iii) reflect any anticipation of the divestiture of the Facilities and any adjustments to the carrying values of the Facilities occasioned thereby, (iv) contain footnotes or other explanatory material associated with financial statements prepared in accordance with generally accepted accounting principles, or (v) contain normal year-end adjustments with respect to interim periods. In addition, the

Financial Schedule is to be read in conjunction with, and is subject to, all notes and other explanatory material set forth therein.

(d) The Balance Sheet reflects the amount of Receivables as of the date thereof, net of allowances customarily recorded by the Subsidiaries for uncollectible and doubtful accounts, and contractual allowances pursuant to agreements with Payors, all in conformity with Seller's practices for the preparation of internal financial statements and materially in accordance with the generally accepted accounting principles utilized in the preparation of the published financial statements of the Seller and the past practices employed by each Subsidiary. To the current actual knowledge of Seller, all such Receivables included in the Balance Sheet represent amounts validly owed to the applicable Subsidiary by reason of the provision of goods, services and other consideration by such Subsidiary, and, to the current actual knowledge of Seller, are not valued in excess of the amounts expected to be collected with respect thereto. Each Subsidiary maintains its accounting records in sufficient detail to substantiate the Receivables reflected on the Balance Sheet. Since the date of Seller's most recent audited financial statements, neither Seller nor MCM nor any Subsidiary has changed any principle or practice with respect to the recordation of accounts receivable or the calculation of reserves therefor, or any material collection, discount or write-off policy or procedure.

(e) To the best of Seller's current actual knowledge, MCM and the Subsidiaries, as applicable, have timely filed all Cost Reports required to be filed with respect to the Facilities prior to the date of this Agreement. All such Cost Reports are, to the knowledge of Seller, true and complete in all material respects and comply in all material respects with all applicable Laws respecting Cost Reports. Neither Seller nor MCM nor any Subsidiary has received any notice with respect to any challenge, dispute or adjustment with respect to any open Cost Reports except challenges, disputes or adjustments (i) which, if resolved adversely to Seller, MCM or the Applicable Subsidiary, as the case may be, would not have a Material Adverse Effect on such entity, or (ii) which are described on Schedule 3.16(e).

(f) Each of MCM and the Subsidiaries has filed all returns required to be filed by it, and made all payments required to be made by it, with respect to any Taxes as to which such filings or payments were due on or before the date of this Agreement. To the best of Seller's knowledge, neither MCM nor any Subsidiary has any liability with respect to any Taxes for which its reserves are inadequate, except for sales, use, employment and similar Taxes for periods as to which such Taxes have not yet become due and payable.

**Section 3.17 Changes Since Balance Sheet.** Since the date of the Balance Sheet and up to and including the date of this Agreement, other than as contemplated or permitted by this Agreement, MCM and the Subsidiaries have conducted their respective businesses only in the ordinary and normal course, except for matters in anticipation of the divestiture of the Facilities, and there has not been: (a) Any entry into or termination by Seller or MCM or a Subsidiary of any material commitment, contract, agreement or transaction (including, without limitation, any borrowing or lending transaction or capital expenditure) related to MCM, the Subsidiaries or the Facilities, except for transactions in the ordinary course of business and

renegotiation of credit agreements to which Seller and certain of its subsidiaries are parties; (b) Any casualty, physical damage, destruction or physical loss respecting, or change in the physical condition of, the Facilities and the Equipment that has had a Material Adverse Effect on MCM and the Subsidiaries; (c) Any transfer of or rights granted under any contract which would have been an Other Contract on the date of the Balance Sheet except for transactions in the ordinary course of business; (d) Other than in the ordinary course of business, any sale or other disposition of any fixed asset included in the Balance Sheet having a net book value in excess of \$50,000 or any material mortgage, pledge or imposition of any lien or other encumbrances on any such asset, or sales or dispositions of, or the imposition of material encumbrances on, fixed assets included in such Balance Sheet having a net book value that exceeds \$250,000 in the aggregate, or any sale or other disposition of Inventories included in the Balance Sheet; (e) Any amendment (other than general amendments which the carrier makes for a category of policy) or termination of any insurance policy or failure to renew any insurance policy covering the Facilities, except for amendments, terminations or failures to renew that do not have a Material Adverse Effect on MCM and the Subsidiaries; (f) Any default or breach by Seller, MCM or a Subsidiary under any contract that would have been an Other Contract on the date of the Balance Sheet which, when viewed individually or in the aggregate of all such breaches or defaults, has had a Material Adverse Effect on MCM and the Facilities; or (g) Any increase made in the compensation levels of any chief executive officer or chief financial officer of any Facilities, or any general increase made in the compensation levels of the other employees of MCM or any Subsidiary, except in the ordinary course of business.

**Section 3.18 Compliance with Laws.** Except as otherwise disclosed in this Agreement (or in the Schedule thereto), MCM, each Subsidiary and each Facilities are, to the knowledge of Seller, in compliance in all material respects with all Laws applicable to a Facilities or the operations thereof, and neither Seller, MCM nor any Facilities has received any notices of violations of any such Laws.

**Section 3.19 Lists of Other Data.** Except for contracts and agreements already listed in Schedules 1.1-2 and 1.1-4, Schedules 3.19(a) through (f) contain lists, complete and correct as of the dates shown thereon, of the following: (a) The most recent regularly generated depreciation schedules related to tangible personal property constituting Equipment, together with copies of such schedules; (b) Each lease constituting an Other Contract as of such date (whether an operating or a capital lease) under which tangible personal property was leased, where the annualized lease payments exceed \$25,000; (c) A brief description of insurance in force covering fixed assets that would constitute assets of the Facilities as of such date; (d) All compensation, bonus, incentive, deferred payments, retirement, pension, severance, profit-sharing, stock purchase and stock option plans, group life, automobile, medical, dental, disability, welfare or other employee benefit plans or insurance policies, and other similar arrangements (collectively, "Employee Benefit Arrangements") generally applicable to the employees of the Facilities or a substantial part thereof or generally applicable to the chief executive or chief financial officers, or a substantial part thereof, of the Facilities as of such date; (e) The aggregate accrued paid time off (including vacation time) and earned or available



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sick pay for all employees at each Facilities, as of the date shown; and (f) Material Licenses of Seller and the Subsidiaries in force, as of the date shown, with respect to the Facilities.

**Section 3.20 DISCLAIMER OF OTHER REPRESENTATIONS AND WARRANTIES.** Buyer acknowledges that neither MCM nor the Seller nor any Person acting on behalf of MCM or the Seller has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding MCM, or its businesses provided to the Buyer (including any information, document, material, estimates, pro forma financial statements, forecasts or projections provided to or made available to the Buyer in any data room (electronic or otherwise), management presentation or any other form in expectation of the transactions contemplated by this Agreement), except as expressly set forth in this Agreement. EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE 3 HEREOF AND WITHOUT LIMITING BUYER'S RIGHT TO INDEMNIFICATION IN ARTICLE 11 HEREOF, NO SELLER MAKES ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, RELATING TO HIMSELF, HIS SHARES OR THE COMPANY, INCLUDING ANY REPRESENTATIONS OR WARRANTIES ARISING BY STATUTE OR OTHERWISE IN LAW, FROM A COURSE OF DEALING OR USAGE OF TRADE. BUYER ACKNOWLEDGES THAT ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

#### **ARTICLE 4: REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller, as of the date hereof, as follows, except as disclosed in Schedule 4:

**Section 4.1 Organization and Corporate Power.** Buyer is a limited liability company duly incorporated and validly existing under the laws of, and is authorized to exercise its corporate powers, rights and privileges and is in good standing in, the State of Tennessee and has full power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it.

**Section 4.2 Authority Relative to this Agreement.** The execution, delivery and performance of this Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby have been duly and effectively authorized by the board of managers and Members of Buyer; no other corporate act or proceeding on the part of Buyer, its board of managers or its Members is necessary to authorize this Agreement, any such Related Agreement or the transactions contemplated hereby and thereby. This Agreement has been, and each of the Related Agreements contemplated hereby will, as of the Closing, have been, duly executed and delivered by Buyer and this Agreement constitutes, and each such Related Agreement when executed and delivered will constitute, a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

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**Section 4.3 Absence of Breach.** Subject to the provisions of Sections 4.4 and 4.5 below regarding private party and governmental consents, and except for compliance with any regulatory or licensing Laws applicable to the businesses and assets represented by the Facilities, the execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not, (a) conflict with or result in a breach of any of the provisions of the Articles of Organization or Operating Agreement of Buyer, (b) contravene any Law or cause the suspension or revocation of any License presently in effect, which affects or binds Buyer or any of its material properties, or (c) conflict with or result in a breach of or default under any indenture or loan or credit agreement or any other agreement or instrument to which Buyer is a party or by which it or any of its properties may be affected or bound.

**Section 4.4 Private Party Consents.** The execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not require the authorization, consent or approval of any non-governmental third party.

**Section 4.5 Governmental Consents.** The execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or governmental agency, except for such governmental authorizations, consents, approvals, certifications, licenses and orders that customarily accompany the transfer of health care facilities such as the Facilities.

**Section 4.6 Brokers.** No broker, finder, or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with this Agreement or the transactions contemplated hereby based upon any agreements or arrangements or commitments, written or oral, made by or on behalf of Buyer or any of its Affiliates other than as disclosed on Schedule 4.6. Buyer shall be solely responsible for the payment of any such fee or commission to any person or entity listed on Schedule 4.6 as an exception to the foregoing.

**Section 4.7 Qualified for Licenses.** Buyer is qualified to obtain any Licenses and program participations necessary for the operation by Buyer of the Facilities in the same manner as the Facilities are presently operated by Seller and the Subsidiaries. Each of Buyer and its Affiliates possesses all Licenses and program participations necessary to permit them to operate the healthcare facilities operated by them. If required, all such healthcare facilities are accredited by applicable accrediting agencies as necessary for their operations in the manner presently operated. Neither Buyer nor any of its Affiliates has received any notice or has any knowledge of any matter which would materially adversely affect the maintenance of any such Licenses, program participations or accreditations.

**Section 4.8 Financial Ability to Perform.** Buyer is pursuing sources sufficient to permit it to perform timely its obligations hereunder, including, but not limited to, the payment of the Purchase Price to Seller at the Closing and the other payments to Seller required hereunder. Promptly after its receipt of letters of commitment or other documents related to the financing of its obligations hereunder, Buyer will provide copies of the same to Seller.

**Section 4.9 No Assurance.** Buyer acknowledges and agrees that the rates or bases used in calculating payments or reimbursements to it by any Payor (including but not limited to Medicare) may differ from the rates and bases used in calculating such payments or reimbursements to Seller, MCM and the Subsidiaries.

**Section 4.10 Disposal of Assets.** Buyer does not intend to or currently plan to dispose of, or cause MCM to dispose of, a significant part of the assets of MCM or the Subsidiaries within two years after the Closing, other than dispositions in the ordinary course of business or to eliminate duplicate facilities or excess capacity. Buyer is aware that, due to MCM's status as an S-corporation, upon certain taxable events including but not limited to the sale of certain of MCM's assets that had been depreciated by MCM, MCM and/or its equity holders may be subject to depreciation recapture, and the parties agree that Sellers shall have no liability for same.

**Section 4.11 Issuance of Securities.** All of Buyer's issuances of Membership Interest Units, including the issuance to Seller pursuant to this Agreement, have been, are and will be in compliance with applicable state and federal laws and regulations.

#### **ARTICLE 5: COVENANTS OF EACH PARTY**

**Section 5.1 Efforts to Consummate Transactions.** Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its reasonable commercial efforts to take, or to cause to be taken, all reasonable actions and to do, or to cause to be done, all reasonable things necessary, proper or advisable under applicable Laws to consummate and make effective, as soon as reasonably practicable, the Transaction contemplated hereby, including the satisfaction of all conditions thereto set forth herein. Such actions shall include, without limitation, exerting their reasonable efforts to obtain the consents, authorizations and approvals of all private parties and governmental authorities whose consent is reasonably necessary to effectuate the Transaction contemplated hereby, and effecting all other necessary registrations and filings, including but not limited to filings under Laws relating to the transfer or obtaining of necessary Licenses, under the WARN Act and all other necessary filings with governmental authorities. The foregoing notwithstanding, it shall be the responsibility of Buyer to use its reasonable commercial efforts and to act diligently and at its expense to obtain any authorizations, approvals and consents in connection with acquiring Licenses and program participations that will permit it to operate the Facilities after the Closing. Subject to Sections 2.6 and 8.8, neither party shall have any liability to the other if, after using its reasonable commercial efforts (and, in the case of Buyer's efforts to obtain requisite Licenses, acting diligently), it is unable to obtain any consents, authorizations or approvals necessary for such party to consummate the Transactions, except as may result from cooperative arrangements determined in accordance with Section 2.8. As used herein, the terms "reasonable commercial efforts" or "reasonable efforts" do not include the provision of any consideration to any third party or the suffering of any economic detriment to a party's ongoing operations for the procurement of any such consent, authorization or approval except for the costs of gathering

and supplying data or other information or making any filings, fees and expenses of counsel and consultants and for customary fees and charges of governmental authorities and accreditation organizations.

**Section 5.2 Cooperation.** Prior to and after the Closing, upon prior reasonable written request, each party agrees to cooperate with the other in every reasonable commercial way to consummate the Transaction. Notwithstanding the foregoing, all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of either party hereto in connection with proceedings under or relating to the WARN Act or any other federal or state antitrust or fair trade law, or made or submitted by or on behalf of Buyer in connection with proceedings to obtain the Licenses and program participations referred to in Section 5.1 hereof, shall be subject to the joint approval or disapproval and the joint control of Buyer and Seller, acting with the advice of their respective counsel, it being the intent of the foregoing that the parties hereto will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analysis, presentation, memorandum, brief, argument, appearance, opinion or proposal; provided that nothing herein shall prevent either party hereto or any of their Affiliates or their authorized representatives from (a) making or submitting any such analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal in response to a subpoena or other legal process or as otherwise required by Law, or (b) submitting factual information to the United States Department of Justice, the Federal Trade Commission, any other governmental agency or any court or administrative law judge in response to a request therefor or as otherwise required by Law.

**Section 5.3 Further Assistance.** From time to time, at the request of either party, whether on or after the Closing, without further consideration, either party, at its expense and within a reasonable amount of time after request hereunder is made, shall execute and deliver such further instruments of assignment, transfer and assumption and take such other action as may be reasonably required to more effectively assign and transfer the MCM Shares to Buyer, deliver or make the payment of the Purchase Price to Seller or any amounts due from one party to the other pursuant to the terms of this Agreement or confirm Seller's ownership of the Excluded Assets.

**Section 5.4 Cooperation Respecting Proceedings.** After the Closing, upon prior reasonable written request, each party shall cooperate with the other, at the requesting party's expense (but including only out-of-pocket expenses to third parties and not the costs incurred by any party for the wages or other benefits paid to its officers, directors or employees), in furnishing information, testimony and other assistance in connection with any inquiries, actions, tax or cost report audits, proceedings, arrangements or disputes involving either of the parties hereto (other than in connection with disputes between the parties hereto) and based upon contracts, arrangements or acts of Seller, MCM or any of the Subsidiaries which were in effect or occurred on or prior to the Closing and which relate to the Facilities, including, without limitation, arranging discussions with (and the calling as witness of) officers, directors, employees, agents, and representatives of Buyer.



**Section 5.5 Expenses.** Whether or not the Transactions contemplated hereby are consummated, except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses. Notwithstanding the foregoing: (a) All charges of any neutral independent public accountant or mediator, and related costs, shall be borne one-half by Buyer and one-half by Seller (it being agreed that each party shall bear the costs of its own independent public accountant or designated mediator); and (b) All fees and charges of governmental authorities and accreditation agencies in connection with the transfer, issuance or authorization of any License, accreditation or program participation shall be borne by Buyer. All such charges and expenses shall be promptly settled between the parties at the Closing or upon termination or expiration of further proceedings under this Agreement, or with respect to such charges and expenses not determined as of such time, as soon thereafter as is reasonably practicable.

**Section 5.6 Announcements; Confidentiality.** Prior to the Closing Date, no press or other public announcement, or public statement or comment in response to any inquiry, relating to the transactions contemplated by this Agreement shall be issued or made by Buyer or Seller or any Subsidiary without the joint approval of Buyer and Seller; provided that a press release or other public announcement, statement or comment made without such joint approval shall not be in violation of this Section if it is made in order to comply with applicable securities Laws or stock exchange policies and in the reasonable judgment of the party making such release or announcement, based upon advice of independent counsel, prior review and joint approval, despite reasonable efforts to obtain the same, would prevent dissemination of such release or announcement in a timely enough fashion to comply with such Laws or policies, provided that in all instances prompt notice from one party to the other shall be given with respect to any such release, announcement, statement or comment. Subject to the foregoing, the parties hereto recognize and agree that all information, instruments, documents and details concerning the businesses of Buyer, Seller, MCM and the Subsidiaries are strictly confidential, and Seller and Buyer expressly covenant and agree with each other that, prior to and after the Closing, they will not, nor will they allow any of their respective officers, directors, employees, representatives or agents (including professional advisors) to disclose or publicly comment upon any matters relating to the business of the other or relating to this Agreement, including, without limitation, the terms, timing or progress of the transactions contemplated hereby, or its negotiation, terms, provisions or conditions, including Purchase Price, except for disclosure to their respective professional advisors (who shall agree not to disclose the same) which is reasonably necessary to effectuate the Transaction contemplated hereby and in a manner consistent with the provisions of this Agreement. The parties further agree to continue to be bound by the restrictions and obligations contained in Sections 4(a), subsections (a), (b) and (c) of that Letter of Intent between Buyer and MCM dated March \_\_, 2014 (the "Letter of Intent") until Closing or the termination of this Agreement. Each party shall keep all information obtained from the other either before or after the date of this Agreement confidential, and neither party shall reveal such information to, nor produce copies of any written information for, any person outside its management group or its professional advisors without the prior



written consent of the other party, unless such party is compelled to disclose such information by judicial or administrative process or by any other requirements of Law. If the Transaction contemplated by this Agreement should fail to close for any reason, each party shall return to the other as soon as practicable all originals and copies of written information provided to such party by or on behalf of the other party and none of such information shall be used by either party, or their employees, agents or representatives in the business operations of any person. Notwithstanding the foregoing, each party's obligations under this Section shall not apply to any information or document which is or becomes available to the public other than as a result of a disclosure by the other party in violation of this Agreement or other obligation of confidentiality under which such information may be held or becomes available to the party on a non-confidential basis from a source other than the other party or its officers, directors, employees, representatives or agents. The parties' obligations under this Section shall survive the termination of this Agreement.

**Section 5.7 Cost Reports.** (a) Buyer shall prepare and timely file the Cost Reports as required under their agreements and applicable laws, rules and regulations pertaining to Medicare and TennCare for their current cost report years (the "Current Cost Reports"; similar Cost Reports for prior periods are referred to as the "Prior Cost Reports") within the time periods required under said agreements, laws, rules and regulations. Seller shall cooperate in the preparation of the Cost Reports. (b) No adjustments or positions shall be taken or agreed to by Buyer or the Subsidiaries or their successors with respect to the Current Cost Reports, or with respect to any Cost Reports for prior or subsequent periods, which would create any claims on the part of Buyer pursuant to Article 11 without prior written consent of Seller. With respect to rights retained by Seller relating to Prior Cost Reports, Seller shall not agree to any adjustment or take any position which would adversely effect Buyer or the Subsidiaries or their successors without prior written consent of Buyer. In the event that Seller and Buyer fail to agree on any such adjustments or positions, either of Seller or Buyer may cause the matter to be resolved by arbitration; provided, however, that the arbitrator chosen by the parties shall have experience with and understanding of the rules and regulations of the Payor with which the Cost Report in question is to be filed and in the preparation of Cost Reports. The matter shall be resolved within the time for filing such Cost Reports, or within the time required for taking any action with respect thereto, including such extensions as Buyer can cause the Subsidiaries to obtain using the best efforts of said companies. (c) The Closing Balance Sheet will contain Receivables representing amounts Seller determines are payable by Medicare to the Subsidiaries pursuant to the Current Cost Reports and the Prior Cost Reports. A separate schedule identifying these amounts based on the financial data in the Closing Balance Sheet and back-up materials will be prepared and delivered by Seller along with the Closing Balance Sheet. In addition, MCM and the Subsidiaries may receive payments from Medicare or other cost-based payors pursuant to appeals of items contained in the Prior Cost Reports. Buyer is entitled to retain any payments to MCM based on Current Cost Reports and Prior Cost Reports; provided, however, for TennCare Cost Reports for the years 2009 to 2013, Buyer shall allow Seller to direct, in its sole and absolute discretion, which vendors or accounts payable shall be paid with the amount of any reallocated or surplus funds, or any TennCare Cost Report Settlements and Buyer shall comply with Seller's direction unless such compliance would

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violate any contract of Seller or applicable law. (d) Buyer, MCM or the Subsidiaries may be obligated to repay Medicare or other cost-based payors for amounts which were reflected on Prior Cost Reports or on the Current Cost Reports. Seller agrees to reimburse Buyer from the Escrowed Funds, and Seller's liability therefore shall be limited to the amount of Escrowed Funds available, within ten days after such repayment is made, to the extent such repayments are required. In such event, Buyer and Seller shall mutually agree on whether to appeal the determination resulting in such repayment obligation. Seller shall not be responsible for any repayment obligation for amounts reflected on Current Cost Reports.

**Section 5.8 Certain Provisions in Buyer's Governance Documents.** The parties agree that, at Closing, the Buyer's Operating Agreement and/or other Governance Documents will contain language indicating the following: (i) Seller (and their authorized affiliates and transferee) shall have a standard minority tag-along right to participate pro rata in a sale of a majority of Buyer's membership interest; (ii) Buyer shall not issue any membership interests or rights to obtain any membership interests in a transaction whereby such membership interests are valued at an amount less than the value ascribed to the membership interests transferred to Seller pursuant hereto, without written consent of all the Sellers.

**Section 5.9 Lease of Medical Office Building.** At Closing, Buyer and/or MCM agrees to enter into a Lease Agreement with Seller, its affiliate or assign for certain space in the Medical Office Building listed on Schedule 2.3, substantially in the form of the Lease Agreement attached hereto as Schedule 5.9.

#### **ARTICLE 6: ADDITIONAL COVENANTS OF SELLER**

Seller hereby additionally covenants, promises and agrees as follows:

**Section 6.1 Conduct Pending Closing.** Prior to consummation of the Transaction contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Buyer shall otherwise consent in writing, which consent shall not be unreasonably withheld or delayed, and except for actions taken pursuant to Real Property or Other Contracts, or which arise from or are related to the anticipated transfer of the MCM Shares, or as otherwise contemplated by this Agreement or disclosed in Schedule 6.1 or another Schedule to this Agreement, Seller shall, and shall cause MCM and the Subsidiaries to: (a) Conduct the business represented by, and otherwise deal with, the Facilities only in the usual and ordinary course, materially consistent with practices followed prior to the execution of this Agreement; (b) Use reasonable efforts to keep intact the Facilities and the business they represent and to preserve relationships beneficial to such business that physicians, patients, Payors, suppliers and others have with the Facilities; (c) Except as required by their terms, not amend, terminate, renew, fail to renew or renegotiate any material contract, except in the ordinary course of business and consistent with practices of the recent past, or default (or take or omit to take any action that, with or without the giving of notice or passage of time, would constitute a default) in any of its obligations under any such contracts, that would be a Real Property Lease or Other Contract as of the date hereof; (d) Not sell, lease, mortgage, encumber, or otherwise dispose of

or grant any interest in, or permit or suffer to exist any lien or encumbrance upon or the disposition of, any Facilities, Inventory, or items of Equipment having an undepreciated book value in excess of \$25,000, including without limitation any of its leasehold interests therein, whether by the taking of action or the failure to take action, except for (i) sales of Inventory in the ordinary course, (ii) liens constituting Permitted Encumbrances, or (iii) sales or dispositions of Equipment in the ordinary course of business that are consistent with practices of the recent past; (e) Maintain in force and effect the insurance policies identified in Section 3.19(c); (f) Not enter into any contract that will constitute a Real Property Lease or Other Contract as of the Closing except in the ordinary course of business and consistent with practices of the recent past; or (g) Not grant any general or uniform increase in the rates of pay or benefits to employees of the Facilities (or a class thereof) or any increase in salary or benefits of any chief executive or financial officer of any Facilities, except for compensation previously agreed to prior to the date hereof; provided that nothing in this Section shall (i) obligate Seller or any Subsidiary to make expenditures other than in the ordinary course of business and consistent with practices of the recent past or to otherwise suffer any economic detriment, or (ii) preclude Seller from paying, prepaying or otherwise satisfying any liability of MCM or any Subsidiary.

**Section 6.2 Access and Information.** (a) Subject to the restrictions set forth in Section 5.6 respecting confidentiality, Seller shall, and shall cause the Subsidiaries to, afford Buyer, and the counsel, accountants and other representatives of Buyer, reasonable access, throughout the period from the date hereof to the Closing, to the Facilities and the employees, personnel and medical staff associated therewith and all the properties, books, contracts, commitments, cost reports and records respecting MCM, the Subsidiaries and the Facilities (regardless of where such information may be located). Such access shall be afforded after no less than 48 hours' prior written notice, during normal business hours (M-F 9-5 CDT) whenever reasonably possible and only in such manner so as not to disturb patient care or to interfere with the normal operations of the Facilities. Seller's covenants under this Section are made with the understanding that Buyer shall use all such information in compliance with all Laws. (b) Promptly after execution and delivery of this Agreement, Seller shall provide, or shall cause MCM or any applicable Subsidiary to provide, Buyer with a copy of the most recent title binder, commitment or policy in the possession of any of the foregoing entities with respect to the Owned Real Property and the Leased Real Property, together with any documentation in any of such entities' possession relating to any exceptions or encumbrances reflected on such title binders, commitments or policies.

**Section 6.3 Updating.** Seller shall notify Buyer of any changes or additions to any of Seller's Schedules to this Agreement by the delivery of updates thereof, if any, not later than five business days prior to the Closing, provided, however, that the Financial Schedule shall not be updated to cover any period or periods subsequent to the respective dates thereof. No such updates made pursuant to this Section shall be deemed to cure any breach of any representation or warranty made in this Agreement, unless Buyer specifically agrees thereto in writing, nor shall any such notification be considered to constitute or give rise to a waiver by Buyer of any condition set forth in this Agreement. Seller has delivered to Buyer all Other Contracts and leases that Seller has knowledge of, if such contracts were located at the



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corporate offices of Seller. Seller shall deliver all Other Contracts and leases which it is obligated to deliver pursuant to this Agreement within seven business days after the date hereof. Unless performance under such contracts or leases would have a Material Adverse Effect (as defined in Section 3.4), Buyer shall have no claim against Seller based on the delivery after the date hereof rather than before execution of this Agreement.

**Section 6.4 No Solicitation.** Seller will not, and shall cause MCM and the Subsidiaries not to, and will use its best efforts to cause its and their officers, employees, agents and representatives (including any investment banker) not to, directly or indirectly, solicit, encourage or initiate any discussions with, or, subject to fiduciary duties to shareholders, negotiate or otherwise deal with, or provide any information to, any corporation, partnership, person or other entity or group, other than Buyer and its officers, employees and agents, concerning any sale of or similar transactions involving MCM, the Facilities or the stock of the Subsidiaries. None of the foregoing shall prohibit providing information to others in a manner in keeping with the ordinary conduct of Seller's or the Subsidiaries' businesses.

**Section 6.5 Filing of Cost Reports.** Seller shall cause to be prepared and timely filed all Cost Reports which are required to be filed prior to the Closing Date with Medicare and any other cost-based Payors with respect to the operations of the Facilities for any and all periods ending prior to the Closing Date.

## **ARTICLE 7: ADDITIONAL COVENANTS OF BUYER**

**Section 7.1 Waiver of Bulk Sales Law Compliance.** Buyer hereby waives compliance by Seller and the Subsidiaries with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Facilities are located and all other similar laws applicable to bulk sales and transfers.

**Section 7.2 Cost Reports and Audit Contests.** After the Closing and for the period of time necessary to conclude any pending or potential audit or contest of any Cost Reports with respect to the Facilities that include periods ending on or before the Closing Date, Buyer shall properly keep and preserve all financial books and records delivered to Buyer by Seller and the Subsidiaries (if any) and utilized in preparing such Reports, including, without limitation, accounts payable invoices, Medicare logs and billing information in accordance with Section 5.7. Upon reasonable written notice by Seller, Seller (or its agents) shall be entitled, at Seller's expense, during regular business hours, to have access to, inspect and make copies of all such books and records. Upon the reasonable request of Seller, Buyer shall assist Seller and the Subsidiaries in obtaining information deemed by Seller to be necessary or desirable in connection with any audit or contest of such reports. To the extent required to meet its obligations under this Section, Buyer shall provide the reasonable support of its employees at no cost to Seller.

## **ARTICLE 8: BUYER'S CONDITIONS TO CLOSING**

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The obligations of Buyer to consummate the Transactions at the Closing shall be subject to the fulfillment at or prior to the Closing of the following conditions, unless Buyer waives such fulfillment:

**Section 8.1 Performance of Agreement.** Seller shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

**Section 8.2 Accuracy of Representations and Warranties.** The representations and warranties of Seller set forth in Article 3 of this Agreement shall be true in all respects as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured by the Closing) and as of the Closing (as updated by the revising of Schedules contemplated by Section 6.3) as if made as of such time, except where such inaccuracy or inaccuracies would not individually or in the aggregate result in a Material Adverse Effect on MCM and the Subsidiaries.

**Section 8.3 Officer's Certificate.** Buyer shall have received from Seller an officer's certificate, executed on Seller's behalf by its chief executive officer, president, chief financial officer or treasurer (in his or her capacity as such) dated the Closing Date and stating that to the actual knowledge of such individual, after inquiry of the other officers identified in this Section 8.3, the conditions in Sections 8.1 and 8.2 above have been met.

**Section 8.4 Consents.** The waiting period under the WARN Act shall have expired or been terminated.

**Section 8.5 Absence of Injunctions.** There shall not be in effect a temporary restraining order or a preliminary or permanent injunction or other order, decree or ruling by a court of competent jurisdiction or by a governmental agency which restrains or prohibits Buyer's acquisition or operation of the Facilities, provided that the parties will use their reasonable efforts to litigate against the entry of, or to obtain the lifting of, any such order or injunction, and the existence of any such temporary restraining order or preliminary injunction shall operate, at the option of Seller, only to delay the Closing (and extend the Termination Date) until the thirtieth day following the lifting of any such order or injunction, except that such delay may not extend the original Termination Date for more than nine months.

**Section 8.6 Opinion of Counsel.** Buyer shall have received, on and as of the Closing Date, an opinion of counsel to Seller, substantially as to the matters set forth in Sections 3.1, 3.2, 3.3, 3.4(a), and 3.4(c) (to the knowledge of such counsel), subject to customary conditions and limitations.

**Section 8.7 Receipt of Other Documents.** Buyer shall have received the following: (a) Certified copies of the resolutions of Seller's board of directors respecting this Agreement, the Related Agreements and the Transaction, together with certified copies of any stockholder resolutions which are necessary to approve the execution and delivery of this Agreement and

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any Related Agreements and/or the performance of the obligations of Seller hereunder and thereunder; (b) Certified copies of Seller's, MCM's and each Subsidiary's Charter Documents, together with a certificate of the corporate secretary of each that none of such documents have been amended; (c) One or more certificates as to the incumbency of each officer of Seller or of MCM or of any Subsidiary who has signed the Agreement, any Agreement or any certificate, document or instrument delivered pursuant to the Agreement or any Agreement; (d) Good standing certificates for Seller, MCM and each of the Subsidiaries from the Secretaries of State of their respective states of incorporation dated as of a date not earlier than 30 days prior to the Closing Date; and (e) Copies of all third party and governmental consents, permits and authorizations that Seller or any Subsidiary has received in connection with the Agreement, the Agreements and the Transactions.

#### **ARTICLE 9: SELLER'S CONDITIONS TO CLOSING**

The obligations of Seller to consummate the Transaction at the Closing shall be subject to the fulfillment at or prior to the Closing of the following conditions, unless Seller waives such fulfillment:

**Section 9.1 Performance of Agreement.** Buyer shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

**Section 9.2 Accuracy of Representations and Warranties.** The representations and warranties of Buyer set forth in Article 4 of this Agreement shall be true in all material respects as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured by the Closing) and as of the Closing as if made as of such time.

**Section 9.3 Officer's Certificate.** Seller shall have received from Buyer an officers' certificate, executed on Buyer's behalf by its chief executive officer, president, chief financial officer or treasurer (in his or her capacity as such) dated the Closing Date and stating that to the actual knowledge of such individual after inquiry of the other officers identified in this Section 9.3, the conditions in Sections 9.1 and 9.2 above have been met.

**Section 9.4 Consents.** The waiting period under the WARN Act shall have expired or been terminated, and, subject to the provisions of Sections 2.6, 2.7 and 2.8, all approvals, consents, authorizations and waivers from governmental and accreditation agencies and from other third parties required for Seller to consummate the Transaction shall have been obtained, except for such approvals, consents, authorizations and waivers the failure to obtain which will not, individually or in the aggregate, result in a Material Adverse Effect on Seller following the Closing.

**Section 9.5 Absence of Injunctions.** There shall not be in effect a temporary restraining order or a preliminary or permanent injunction or other order, decree or ruling by a court of

competent jurisdiction or by a governmental agency which restrains or prohibits Seller's consummation of the Transaction, or any threat by governmental authorities to exact any penalty or impose any economic detriment upon Seller if it consummates the Transactions that would have a Material Adverse Effect upon Seller following the Closing, provided that the parties will use their reasonable efforts to litigate against the entry of, or to obtain the lifting of, any such order, injunction or potential penalty or imposition, and the existence of any such temporary restraining order, preliminary injunction or potential penalty or imposition shall operate, at the option of Seller, only to delay the Closing (and extend the Termination Date) until the thirtieth day following the lifting of any such order or injunction or threat, except that such delay may not extend the original Termination Date for more than nine months.

**Section 9.6 Receipt of Other Documents.** Seller shall have received the following: (a) Certified copies of the resolutions of Buyer's board of directors respecting this Agreement, the Related Agreements and the Transactions; (b) One or more certificates as to the incumbency of each officer of Buyer who has signed the Agreement, any Related Agreement, or any certificate, document or instrument delivered pursuant to the Agreement or any Related Agreement; (c) Good standing certificates for Buyer from the Secretaries of State of the State of Tennessee dated as of a date not earlier than 30 days prior to the Closing Date; (d) Copies of all third party and governmental consents, permits and authorizations that Buyer has received in connection with the Agreement, the Related Agreements and the Transactions; (e) A certificate of Buyer executed on its behalf by the Chief Executive Officer, the Chief Financial Officer or the Treasurer of Buyer stating that to the best of their knowledge and belief, specifying in reasonable detail their basis for same, after giving effect to the Transaction, neither Buyer nor any of its Subsidiaries is insolvent or will be rendered insolvent by obligations incurred in connection therewith, or will be left with unreasonably small capital with which to engage in their businesses, or will have incurred obligations beyond their respective abilities to perform the same as and when due; and (f) an opinion of counsel with regard to the issuance of Membership Interest Units (x) in raising capital to fund this transaction and (y) to Seller.

## **ARTICLE 10: TERMINATION**

**Section 10.1 Termination.** This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing: (a) By mutual consent of Seller and Buyer; or (b) By either Buyer or Seller upon written notice to the other party, if (i) the Closing shall not have occurred by the later of October 31, 2014 or such later date as may be provided for in this Agreement or agreed upon by the parties (the "Termination Date"); or (ii)(A) in the case of termination by Seller, the conditions set forth in Article 9 cannot reasonably be met by the Termination Date, and (B) in the case of termination by Buyer, the conditions set forth in Article 8 cannot reasonably be met by the Termination Date, unless in either of the cases described in clauses (A) or (B), the failure of the condition is the result of the material breach of this Agreement by the party seeking to terminate. Each party's right of termination hereunder is in addition to any other rights it may have hereunder or otherwise.



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**Section 10.2 Effect of Termination.** In the event this Agreement is terminated pursuant to Section 10.1, all further obligations of the parties hereunder shall terminate, except that the obligations set forth in Sections, 5.5 and 5.6 and in Articles 11 and 12 shall survive. In the event of termination of this Agreement as provided above, there shall be no liability on the part of a party to another under and by reason of this Agreement or the transactions contemplated hereby except as set forth in Article 11 and except for fraudulent acts by a party, the remedies for which shall not be limited by the provisions of this Agreement. The foregoing provisions shall not, however, limit or restrict the availability of specific performance or other injunctive or equitable relief to the extent that specific performance or such other relief would otherwise be available to a party hereunder.

#### **ARTICLE 11: SURVIVAL AND REMEDIES; INDEMNIFICATION**

**Section 11.1 Survival.** Except as may be otherwise expressly set forth in this Agreement, the representations, warranties, covenants and agreements of Buyer and Seller set forth in this Agreement, or in any writing required to be delivered in connection with this Agreement, shall survive the Closing and the consummation of the Transactions for a period of one (1) year; provided, however, that such limitation shall not apply to the representations and warranties contained in Sections 3.1, 3.2 and 3.3. Notwithstanding the above, if Buyer has actual and direct knowledge of any breach of any Seller representations and warranties (except for Section 3.16 and 3.17) that result in any potential claim that could be asserted hereunder by Buyer, and Buyer nevertheless proceeds to Closing, then Buyer hereby waives any and all right to assert a claim against Seller as it pertains thereto. There shall be no indemnity from Seller to Buyer in connection with such known breaches of representations or warranties. Seller shall have no liability or obligation to the Buyer or any other indemnified party to the extent, prior to Closing, Buyer had actual and direct knowledge of the indemnification obligation, of breach of a representation or of the facts, circumstances or conditions that caused (or with lapse of time would cause) the obligation or breach of representation except for Section 3.16 and 3.17. Buyer shall be deemed to have actual or direct knowledge of any fact contained in any document produced by Seller to Buyer in connection with Buyer's due diligence. Further, Buyer represents that it has been informed of all due diligence activity performed by its employees and agents, and has received complete reports from all employees and agents who have conducted due diligence activity on behalf of Buyer.

**Section 11.2 Exclusive Remedy.** Absent fraud, the sole exclusive remedy for damages of a party hereto for any breach of the representations, warranties, covenants and agreements of the other party contained in this Agreement and the Agreements shall be the remedies contained in this Article 11.

**Section 11.3 Indemnity by Seller.** (a) Seller shall defend, indemnify Buyer and hold Buyer harmless from and against any and all loss, liability, damage and expense, including reasonable attorneys' fees and costs of investigation, litigation, settlement and judgment (collectively "Losses"), which Buyer may sustain or suffer or to which Buyer may become



subject as a result of: (i) The inaccuracy of any representation or the breach of any warranty made by Seller herein, provided that any such inaccuracy or breach shall be determined without regard to any qualification of such representation or warranty based upon the absence of a Material Adverse Effect on the Transferred Assets; and (ii) The nonperformance or; and (ii) The nonperformance or material breach of any covenant or agreement made or undertaken by Seller in this Agreement or in any Related Agreement. (b) The indemnification obligations of Seller provided above shall, in addition to the qualifications and conditions set forth in Sections 11.5 and 11.6, be subject to the following qualifications: (i) Buyer shall not be entitled to indemnity under Section 11.3(a)(i) above unless: (A) Written notice to Seller of such claim specifying the basis thereof is made, or an action at law or in equity with respect to such claim is served, before the second anniversary of the earlier to occur of the Closing Date or the date on which this Agreement is terminated, as the case may be; (B) If the Closing occurs, the Losses sustained or suffered by Buyer or to which it may be subject exceeds, in the aggregate, \$1,000,000 (the "Deductible Amount"), provided, however, that individual claims of \$100,000 or less shall not be aggregated for purposes of calculating the Deductible Amount or the excess of Losses over the Deductible Amount; and (C) in no event shall any individual Seller be liable to Buyer under Section 11.3 for (1) amounts which, in the aggregate, exceed 100% of the Purchase Price received by such individual Seller, or (2) amounts below the Deductible Amount. (c) Buyer shall not be entitled to indemnity under Subsection (a) above except for out-of-pocket Losses actually suffered or sustained by Buyer or to which Buyer may become subject as a result of circumstances described in such Subsection (a), and such indemnity shall not include Losses in the nature of punitive damages, consequential damages, lost profits, diminution in value, damage to reputation or the like.

**Section 11.4 Indemnity by Buyer.** (a) Buyer shall defend, indemnify Seller and hold Seller harmless from and against any and all Losses which they may sustain or suffer or to which it may become subject as a result of: (i) The inaccuracy of any representation or the breach of any warranty made by Buyer herein; (ii) The nonperformance or material breach of any covenant or agreement made or undertaken by Buyer in this Agreement or in any Related Agreement; (iii) If the Closing occurs, the ongoing operations of Buyer, MCM, the Subsidiaries and the Facilities after the Closing Date. (b) Seller and the Subsidiaries shall not be entitled to indemnity under Sections 11.4(a) above except for out-of-pocket Losses actually suffered or sustained by them or to which they may become subject as a result of circumstances described in such Sections 11.4(a), and such indemnity shall not include Losses in the nature of punitive damages, consequential damages, lost profits, diminution in value, damage to reputation or the like.

**Section 11.5 Further Qualifications Respecting Indemnification.** The right of a party (an "Indemnatee") to indemnify hereunder shall be subject to the following additional qualifications: (a) The Indemnatee shall promptly upon its discovery of facts or circumstances giving rise to a claim for indemnification, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial, governmental or otherwise, by any third party (such third party actions being collectively referred to herein as "Third Party Claims"), give notice thereof to the indemnifying party (the "Indemnitor"), such notice in any event to be

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given within 60 days from the date the Indemnitee obtains actual knowledge of the basis or alleged basis for the right of indemnity or such shorter period as may be necessary to avoid material prejudice to the Indemnitor; and (b) In computing Losses, such amounts shall be computed net of any related recoveries to which the Indemnitee is entitled under insurance policies or other related payments received or receivable from third parties and net of any tax benefits actually received by the Indemnitee or for which it is eligible, taking into account the income tax treatment of the receipt of indemnification.

**Section 11.6 Procedures Respecting Third Party Claims.** In providing notice to the Indemnitor of any Third Party Claim (the "Claim Notice"), the Indemnitee shall provide the Indemnitor with a copy of such Third Party Claim or other documents received and shall otherwise make available to the Indemnitor all relevant information material to the defense of such claim and within the Indemnitee's possession. The Indemnitor shall have the right, by notice given to the Indemnitee within 15 days after the date of the Claim Notice, to assume and control the defense of the Third Party Claim that is the subject of such Claim Notice, including the employment of counsel selected by the Indemnitor after consultation with the Indemnitee, and the Indemnitor shall pay all expenses of, and the Indemnitee shall cooperate fully with the Indemnitor in connection with, the conduct of such defense. The Indemnitee shall have the right to employ separate counsel in any such proceeding and to participate in (but not control) the defense of such Third Party Claim, but the fees and expenses of such counsel shall be borne by the Indemnitee unless the Indemnitor shall agree otherwise. If the Indemnitor shall have failed to assume the defense of any Third Party Claim in accordance with the provisions of this Section, then the Indemnitee shall have the absolute right to control the defense of such Third Party Claim, and, if and when it is finally determined that the Indemnitee is entitled to indemnification from the Indemnitor hereunder, the fees and expenses of Indemnitee's counsel shall be borne by the Indemnitor, provided that the Indemnitor shall be entitled, at its expense, to participate in (but not control) such defense. The Indemnitor shall have the right to settle or compromise any such Third Party Claim for which it is providing indemnity so long as such settlement does not impose any obligations on the Indemnitee (except with respect to providing releases of the third party). The Indemnitor shall not be liable for any settlement effected by the Indemnitee without the Indemnitor's consent. The Indemnitor may assume and control, or bear the costs, of any such defense subject to its reservation of a right to contest the Indemnitee's right to indemnification hereunder, provided that it gives the Indemnitee notice of such reservation within 15 days of the date of the Claim Notice.

**11.8 Retention of and Access to Books and Records and Personnel.**

(a) The Buyer shall not, and shall not permit MCM to, for a period of five (5) years after the Closing Date, dispose of or destroy any of the business records and files of MCM relating to the period prior to the Closing Date.

(b) After the Closing, the Buyer shall and shall cause its Affiliates (including MCM after the Closing) to, for a period of five (5) years after the Closing Date, allow each Seller and its Representatives, including the Sellers' Representative and its Representatives, reasonable access (at their expense) to, and the right to make copies (at their expense) of, all business records and files relating to MCM to the extent such access is reasonably required in

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preparation of tax returns or in connection with tax audits, or defense of any third party claim, upon prior written request of such Seller, during normal working hours and without undue interruption to Buyer's and MCM's respective businesses, at the principal places of business of MCM or at any location where such records and files are stored.

(c) After the Closing, the Buyer shall and shall cause MCM to, for a period of three (3) years after the Closing, make available on a reasonable basis to each Seller and its Representatives, including the Sellers' Representative and its Representatives, in each case, at the sole cost and expense of such Seller and/or its Representatives (i) the personnel of MCM to assist such Seller and its Representatives in locating and obtaining records and files maintained by MCM, and (ii) any of the personnel of MCM whose participation is reasonably required by such Seller or its Representatives in preparation for or participation in any Proceeding relating to such Person's prior ownership of MCM (other than any Proceedings in which the Buyer or MCM are adverse parties) or Tax or accounting matter in which such Seller is involved and which, in each case, are related to MCM prior to the Closing; provided, however, that any such availability shall not interfere unreasonably with regular employment duties of such personnel.

(d) Nothing contained in this Section 7.13 shall require the Buyer or MCM to disclose or deliver any information or documents to any of the Sellers or their respective Representatives, the disclosure or delivery of which, in the Buyer's sole and reasonable determination, would jeopardize any attorney-client or other legal privilege or work product doctrine that attached after the Closing or contravene any applicable Laws (including privacy Laws).

## **ARTICLE 12: GENERAL PROVISIONS**

**Section 12.1 Notices.** All notices, requests, demands, waivers, consents and other communications hereunder shall be in writing, shall be delivered either in person, by telegraphic, facsimile or other electronic means, by overnight air courier or by mail, and shall be deemed to have been duly given and to have become effective (a) upon receipt if delivered in person or by telegraphic, facsimile or other electronic means calculated to arrive on any business day prior to 5:30 p.m. local time at the address of the addressee, or on the next succeeding business day if delivered on a non-business day or after 5:30 p.m. local time, (b) one business day after having been delivered to an air courier for overnight delivery or (c) five business days after having been deposited in the mails as certified or registered mail, return receipt requested, all fees prepaid, directed to the parties or their permitted assignees at the following addresses (or at such other address as shall be given in writing by a party hereto):

If to Seller, addressed to:

\_\_\_\_\_  
Manchester, TN 37355

Attention: \_\_\_\_\_

If to Buyer, addressed to:

Coffee Medical Group, LLC  
1001 McArthur Avenue



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Manchester, TN 37355

Attention: Ashoke "Bappa" Mukherji

**Section 12.2 Attorneys' Fees.** In any litigation or other proceeding relating to this Agreement, including litigation with respect to any Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees. The term "prevailing party" shall mean the party in whose favor final judgment after appeal (if any) is rendered with respect to the claims asserted in such litigation or other proceeding. "Reasonable attorneys' fees" are no greater than those attorneys' fees actually incurred in obtaining a judgment or other determination in favor of the prevailing party.

**Section 12.3 Successors and Assigns.** The rights under this Agreement shall not be assignable or transferable nor the duties delegable by either party without the prior written consent of the other; and nothing contained in this Agreement, express or implied, is intended to confer upon any person or entity, other than the parties hereto and their permitted successors-in-interest and permitted assignees, any rights or remedies under or by reason of this Agreement unless so stated to the contrary.

**Section 12.4 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Section 12.5 Captions and Paragraph Headings.** Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

**Section 12.6 Entirety of Agreement; Amendments.** This Agreement (including the Schedules and Exhibits hereto) and the other documents and instruments specifically provided for in this Agreement contain the entire understanding between the parties concerning the subject matter of this Agreement and such other documents and instruments and, except as expressly provided for herein, supersede all prior understandings and agreements, whether oral or written, between them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement may be amended or modified only by an agreement in writing signed by each of the parties hereto. All Exhibits and Schedules attached to or delivered in connection with this Agreement are integral parts of this Agreement as if fully set forth herein, and all statements appearing therein shall be deemed disclosed for all purposes and not only in connection with the specific provision in which they are explicitly referenced. Notwithstanding the foregoing, the obligations contained in Section 4 of the Letter of Intent shall survive the execution of this Agreement.

**Section 12.7 Construction.** This Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the person who drafted

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the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments.

**Section 12.8 Waiver.** The failure of a party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or of the future performance of any such term, covenant or condition, but the obligations of the parties with respect thereto shall continue in full force and effect. No waiver of any provision or condition of this Agreement by a party shall be valid unless in writing signed by such party or operational by the terms of this Agreement. A waiver by one party of the performance of any covenant, condition, representation or warranty of the other party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation or warranty. A waiver by any party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

**Section 12.9 Governing Law.** This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Tennessee, without regard to the principles of conflicts of law thereof.

**Section 12.10 Severability.** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid, binding and enforceable under applicable law, but if any provision of this Agreement is held to be invalid, void (or voidable) or unenforceable under applicable law, such provision shall be ineffective only to the extent held to be invalid, void (or voidable) or unenforceable, without affecting the remainder of such provision or the remaining provisions of this Agreement.

**Section 12.11 Consents Not Unreasonably Withheld.** Wherever the consent or approval of any party is required under this Agreement, such consent or approval shall not be unreasonably withheld, unless such consent or approval is to be given by such party at the sole or absolute discretion of such party or is otherwise similarly qualified.

**Section 12.12 Time Is of the Essence.** Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement. The parties acknowledge that each will be relying upon the timely performance by the other of its obligations hereunder as a material inducement to each party's execution of this Agreement. Consequently, the parties agree that they are bound strictly by the provisions concerning timely performance of their respective obligations contained in this Agreement and that if any attempt is made by either party to perform an obligation required to be performed or comply with a provision of this Agreement required to be complied with in a manner other than in strict compliance with the time period applicable thereto, even if such purported attempt is but one day late, then such

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purported attempt at performance or compliance shall be deemed a violation of this Section, shall be deemed in contravention of the intention of the parties hereto, and shall be null and void and of no force or effect.

**Section 12.12 Venue and Jurisdiction.** The Parties hereby irrevocably submit to the exclusive venue and jurisdiction of the state courts located in Coffee County, Tennessee, for any suit, action or proceeding arising out of or relating to this Agreement or any related transaction between the Parties. The Parties hereby irrevocably waive, to the fullest extent permitted by law, any objection which may now or hereafter be made to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

**IN WITNESS WHEREOF**, the parties have duly executed this Agreement on the date first above written.

**COFFEE COUNTY HOSPITAL GROUP, INC.**

By:

  
J. Stanley Rogers, President

  
ALBERT R. BRANDON

  
J. STANLEY ROGERS

  
JAMES E. BARMES

**COFFEE MEDICAL GROUP, LLC**

By:

  
Ashoke Mukherji, Chief Manager

  
DAVID SULLIVAN

  
BOBBY COUCH

\_\_\_\_\_  
WILLIAM D. DANIEL

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September 25, 2015

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purported attempt at performance or compliance shall be deemed a violation of this Section, shall be deemed in contravention of the intention of the parties hereto, and shall be null and void and of no force or effect.

**Section 12.12 Venue and Jurisdiction.** The Parties hereby irrevocably submit to the exclusive venue and jurisdiction of the state courts located in Coffee County, Tennessee, for any suit, action or proceeding arising out of or relating to this Agreement or any related transaction between the Parties. The Parties hereby irrevocably waive, to the fullest extent permitted by law, any objection which may now or hereafter be made to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

COFFEE COUNTY HOSPITAL GROUP, INC.

COFFEE MEDICAL GROUP, LLC

By: \_\_\_\_\_

J. Stanley Rogers, President

By: \_\_\_\_\_

Ashoke Mukherji, Chief Manager

\_\_\_\_\_  
ALBERT R. BRANDON\_\_\_\_\_  
J. DAVID SULLIVAN\_\_\_\_\_  
J. STANLEY ROGERS\_\_\_\_\_  
BOBBY COUCH\_\_\_\_\_  
JAMES E. BARMES\_\_\_\_\_  
*William D. Daniel*  
WILLIAM D. DANIEL



**SUPPLEMENTAL #1**

**September 25, 2015**

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Location of MRI

### VICINITY MAP

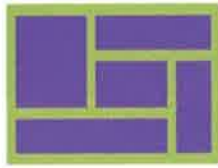
407E

مجلس: مجلس شورای اسلامی  
تاریخ: ۱۳۸۵/۰۴/۲۷  
شماره: ۱۳۸۵/۰۴/۲۷

NOTE: BOUNDARY & INFORMATION TAKEN FROM DRAWINGS BY ENGINEER.

NOTE = RAMP ACCESS TO STREET, PINK  
AND HANDRAILS ARE TO MEET.





**Modular  
Resources  
Inc.**

878 North Main Street  
Loretto, TN 38469  
Phone: 931.853.3347  
Fax: 931.853.3367

Attn: Jeff Wolff  
Unity Medical Center  
Manchester, TN

August 11, 2015

Ref: This is a scope of work and costing needed to move an existing Modular building from the Route 55 location to the Interstate Drive location. The scope of work is based on information gathered while on a site visit. This quote is for moving a modular building in Manchester, TN. The scope of work is as follows:

**Division 0: Design & Preconstruction**

- (1) Modular Resources will order/purchase/bring all general materials need to complete the project.

**Division 1: General Requirements:**

- (1) Modular Resources, Inc. will provide the following items:
  - (a) Full time job superintendent
  - (b) Dust control during construction
  - (c) Daily cleanup of the work area
  - (d) All insurances, i.e. worker's comp., general liability
- (2) All work will be performed during normal working hours.
- (3) Modular Resources, Inc. will provide one final clean-up of the construction area at both locations.

**(1) Division 2: Site Work & Demolition:**

Initial site work at the Interstate Drive location will include the following items:

- a) Excavation down to proper elevation to provide new foundation, design based on drawing provided during site visit ( same design as Rte. 55 location).
- b) All forming material to include all rebar and weld plates and necessary hardware per drawing.
- c) Soil compaction if necessary.
- d) All gravel necessary for form work.

## **SUPPLEMENTAL #1**

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- e) All gravel necessary to fill foundation in to within 4" of top of foundation wall.
  - f) 10 mil vapor barrier.
  - g) Seal vapor barrier to foundation walls.
  - h) Included in this scope is approximately 25' of 6' wide 4" thick straight sidewalk from new door location in hospital to door at modular building.
  - i) Included is the removal and disposal of approx. 10' x 3' sidewalk.
  - j) Included is re-grading soil, and backfill to match existing surrounding grade against new concrete at all locations and straw and seed at all locations.
- (2) Before any demolition begins at the Route 55 location, it will be owner's responsibility to remove any items such as furniture, desk, file cabinets, etc. from the building that may become damaged in transit.
- (3) Demolition will include but may not be limited to the following items:
- a) Remove approximately a 10' x 10' area of ceiling as well as roof hatch assembly for removal of MRI machine to be re-installed at the new location of the modular building
  - b) Saw cut and remove all piping, conduits, etc. from existing building and prepare for crane lifting and re-locating.
  - c) Rigging of MRI equipment, cabinets to include:
    - 1. Re-test system operability and set the installation baseline at the time of removal.
    - 2. Remove all Magnet covers and prepare for shipping.
    - 3. Install a safety barrier around the Magnet prior to rigging.
    - 4. Deinstall magnet and equipment cables.
    - 5. Provide boxes, pallets, and padding to safely transport the system.
    - 6. Rigging of the Magnet and System cabinets for customer provided crane extraction.
    - 7. Oversee the safe removal of the system.
  - d) Included in this demolition portion are the costs for the crane and trucking to move both the modular building and all of the MRI equipment.
  - e) The demolition of the area where the building was located will be scheduled to begin the day after the building is moved.
  - f) Demolition of existing foundation and sidewalk to the extent of the "grass area" where it sits now.
  - g) Removal and disposal of all demo material.
  - h) Any plumbing pipes/electric conduits or other material associated with the modular will be removed to below grade.
  - i) Haul in necessary topsoil to re-grade this area to as original as possible straw and seed.

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(4) Site work at the Interstate location will include the following items:

- a) Crane set modular building on new foundation
- b) Crane set MRI and all related equipment
- c) Re-install of MRI to include the following:
  - 1. Oversee the insertion of the Magnet and System cabinets.
  - 2. Rigging of the Magnet and System cabinets back to their original positions.
  - 3. Install Magnet and System cabling.
  - 4. Power the System up and perform simulated scans.
  - 5. Shim the Magnet to manufacturer's specification.
  - 6. Install Magnet covers.
  - 7. Calibrate the system to meet or exceed manufacturer's specification.
  - 8. Provide a guided turnover of the system.

Division 3: Concrete:

- (1) Approx. 25' of 6' wide 4" thick sidewalk will be poured for the new location.

Division 4: Masonry:

- (1) Saw cut and remove approximately 4' by 7' of brick and block for install of new door.

Division 5: Metals:

- (1) Provide two new lintels at same location

Division 6: Wood & Plastics: N/A

Division 7: Thermal & Moisture Protection

- (1) Provide and install a 10 mil vapor barrier to the new foundations walls

Division 8: Doors and Windows:

- (1) Install new 4'0" x 7'0" store front glass door with standard locking hardware.

Division 9: Finishes:

- (1) Touch up any damage incurred during building re-location.

Division 10: Specialties:

- (1) Approximately 25' x 6' x 10' of canvas canopy to be installed over new sidewalk.

Division 11: Equipment: N/A

Division 12: Furniture: N/A

Division 13: Special Construction: N/A

Division 14: Material Handling: N/A

Division 21: Fire Protection: N/A

Division 22: Plumbing: N/A

Division 23: Mechanical:

- (1) Existing roof top A/C units will removed and re-installed at the same time other equipment is moved.

Division 26: Electrical:

- (1) At this time the connected load for the facility has not been determined. Based on location midway of hospital viewed during site visit we have included an allowance of \$18,500.00 (this number could adjust up or down) to bring approximately 200 amps of 480 volt to distribution panel in modular building.

Division 27: Communications:

- (1) To be handled by the hospital

Division 28: Electronic Safety and Security: N/A

Division 31: Earthwork:

- (1) Demolition of existing foundation and sidewalk at the Route 55 location once the building has been moved.
- (2) Excavation down to proper elevation to provide new foundation, design based on drawings provided by customer for the Interstate Drive location.

Division 32: Exterior Improvements:

- (1) Grade, straw and seed construction areas only

Division 33: Utilities: N/A

Division 34: Transportation:

- (1) Transportation of building, MRI, and equipment are included in this scope as well as mobilization for crane at both sites.

Exclusions:

- (1) Excluded from our scope of work are the following items:
  - (a) Bio/ Hazardous material removal or disposal.
  - (b) Correction of any code violations that may be present outside our scope of work.
  - (c) At this time we have not included any money for shield testing of the facility prior to and after the building has been moved. That will be up to the

## **SUPPLEMENTAL #1**

**September 25, 2015**

**12:26 pm**

customer, however we strongly suggest these tests be performed. Modular Resources, Inc. will not be responsible for any artifacts in the imaging if the tests are not performed.

- (d) Added cost should we encounter any concealed condition which could not be determined or seen.

Any additional work performed or deemed necessary for this installation will be billed at cost plus 10% and will require a signed work order by customer and Modular Resources.

Total cost for the above mentioned scope of work: \$123,707.00

This price will hold for 30 days from today's date. After that, we reserve the right to review our numbers and make adjustments if necessary.

**Terms:**

- 50% with signing of contract
- 40% due day of re-location
- 10% due at completion of project

Please do not hesitate to call us with any questions you may have concerning our scope of work or costing. You are welcome to make any additions or deletions that you deem necessary and we will change the scope accordingly. The above is what we consider to be a completed job. We look forward to working with you on this project.

Greg Augustin, CEO  
Modular Resources, Inc.  
Ofc: 931-853-3347  
Cell: 931-242-5717  
[greg@modularresources.com](mailto:greg@modularresources.com)

Visit us on line at [www.modularresources.com](http://www.modularresources.com)

If this scope of work is acceptable please sign below.

Accepted by: \_\_\_\_\_ Date: \_\_\_\_\_

**Unity Medical Center**  
**\$13,200,000 Senior Credit Facilities**  
**Commitment Letter**  
**August 3, 2015**

ServisFirst Bank is pleased to commit to closing and funding credit facilities with terms and conditions that are substantially covered below and attached.

**Borrowers:** Coffee Medical Group, LLC d/b/a United Regional Medical Center and Coffee County Hospital Group, as Co-Borrowers

**Guarantors:** A group of individual owners of Borrower will provide pro-rata personal guaranties in an aggregate amount of at least \$15,000,000

**Lender:** ServisFirst Bank

**Credit Facilities:** Up to \$13,200,000 in credit facilities structured as follows:

1. \$12,450,000 senior secured term loan
2. \$750,000 revolving line of credit

**Maturity:**

1. 5 years
2. 2 years

**Amortization:**

Facility #1: 15 years

Facility #2: Interest only monthly, with all outstanding principal and accrued interest due at maturity.

**Prepayment Penalty:** 2% within first year from closing, reducing to 1% during second and third year. If the loan is paid off after third year, no penalty will be assessed. The pre-payment penalty is only applicable if the proceeds are the result of a refinance with another senior lender and ServisFirst did not have an opportunity to propose terms.

**Security:** Title Insured First Deed of Trust on Medical Center of Manchester facility and 8.1 acres located at 481 Interstate Drive, Manchester, TN 37355 plus an Assignment of Rents and Leases on the property.

Lender will take pledge of at least 51% stock in Coffee Medical Group LLC, a first lien position on all assets of the Borrower; including, accounts receivable, equipment, real estate, and intangible, plus an assignment of all licenses, permits and contracts required for operating the business.



**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS****Interest Rate:**

1. Fixed rate of 4.85% (based upon a spread of 3.25% over the 5-year treasury, subject to fluctuate between commitment and closing)
2. Floating at 30-day LIBOR plus 4.00%

**Fees:**

1. 0.65% loan origination fee paid to Lender at closing
2. None

**Financial Covenants:**

To Be Determined. Expected to include, but not be limited to:

**Debt Service Coverage Ratio (DSCR) of at least 1.30x** to be measured quarterly on a 2 quarter, annualized basis for 12/31/15, then moving to 3 quarter annualized basis at 3/31/16 and a full year basis as of 6/30/16. DSCR to be defined as EBITDA divided by the sum of scheduled principal payments and interest expense. EBITDA definition to exclude non-recurring income and expenses.

**Senior Funded Debt to EBITDA not to exceed 3.50X** to be based upon financial performance post-consolidation and would gradually step down. EBITDA will be calculated consistent with the DSCR ratio described above. Thresholds to be determined.

**Reporting Requirements:**

- Standard for a transaction of this type; to include but not be limited to:
- (a) Quarterly Consolidated and Consolidating Financial Statements; including income statement, balance sheet, and statement of cash flows, and census/operating statistics.
  - (b) Annual Audited Financial Statements within 120 days of FYE;
  - (c) Annual Budget, on a consolidated and consolidating basis, prior to each fiscal year; and
  - (d) Quarterly Compliance Certificate signed by CFO or Treasurer.
  - (e) Annual Personal Financial Statement from each individual Guarantor
  - (f) Annual complete personal tax returns from Guarantors.

**Other Covenants and Requirements:**

- Standard for a transaction of this type; to include but not be limited to:
- a) Preservation of Corporate Existence
  - b) Material Compliance with Laws, and payment of taxes, etc.
  - c) Maintenance of properties including all equipment and real estate
  - d) Maintenance of insurance in amounts acceptable to the Bank
  - e) Subordination of seller notes with maturity on the notes to be at least 6 months after the maturity of the senior debt. Payments will be allowed on the seller debt so long as the Borrower remains in compliance with senior financing covenants. In the event of default on the senior debt, the Sellers will be subject to an unlimited standstill provision.
  - f) Negative Pledge of URM campus. The sale of the campus is permitted with the application of proceeds to be determined.

**September 25, 2015**

August 3, 2015

**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS****12:26 pm**

- g) Real Estate diligence such as title insurance, survey, and environmental.
- h) Limitation on additional debt and liens, except for subordinated seller notes.
- i) Limitations on mergers and acquisitions, disposal of assets, capital expenditures, guarantees, etc. at levels to be determined.
- j) Borrowers will move all depository accounts and treasury management services to ServisFirst Bank within 60 days of loan closing.

**Conditions Precedent:**

Standard for a transaction of this type, including, but not limited to:

- (a) Bank receipt and review of operating / organizational documents, and applicable real estate due diligence and documentation.
- (b) Receipt and technical review of the business / real estate appraisal provided from Principle Valuation. In the event the report is not accepted during the review, the Lender would require another appraisal on the real estate, at a minimum.
- (c) Verification of proforma EBITDA versus historical EBITDA.
- (d) Receipt of Guarantor financial information.
- (e) Bank completion legal documentation and due diligence.

**Legal Fees and Expenses:**

All legal fees and expenses of the Bank and their counsel plus out of pocket expenses incurred shall be paid by Borrower. *Bank agrees to pay for appraisal related costs associated with finalizing the Principle report and obtaining the VMG (bank vendor) appraisal review.*

ServisFirst Bank is pleased to commit to closing and funding credit facilities with terms and conditions that are substantially covered below and attached.



**September 25, 2015**

**12:26 pm**


**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Williamson

NAME OF FACILITY: United Regional Medical Center

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
Signature/Title

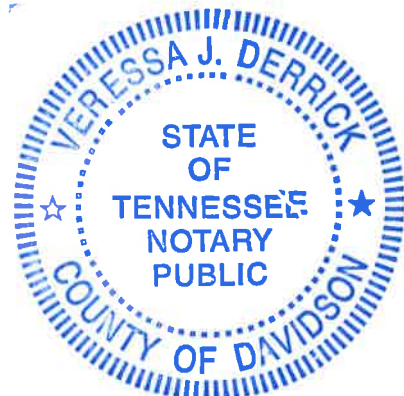
Sworn to and subscribed before me, a Notary Public, this the 25<sup>th</sup> day of September, 20 15,  
witness my hand at office in the County of Williamson, State of Tennessee.

  
NOTARY PUBLIC

My commission expires 3/7/2017

HF-0043

Revised 7/02



# Supplemental #2 -ORIGINAL-

United Reginal Medical  
Center

CN1509-040

**September 29, 2015****1:31 pm****CLARIFICATION OF SUPPLEMENTAL RESPONSES****9. Section C, Need, Item 1**

*The responses are noted. Given the prior approved Certificates of Need for both services and the purpose of the proposed project to relocate same to the hospital's new location, responses to the specific criteria for MRI and PET/CT services will not be necessary for this project.*

*However, please provide a response for the project specific criteria that apply to construction, renovation or replacement and the 5 Principles of the State Health Plan. For your convenience, the questions that apply to each are contained in the exhibits at the end of this questionnaire.*

The responses for the State Health Plan Principles are appreciated. For the project specific criteria – please provide a response that addresses the following criterion:

The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.”

*A portion of the population would not have access to MRI diagnostic testing if an open MRI was not available. Included in this sector of the population are patients who suffer from obesity as well as patients who are claustrophobic. In 2014 United Regional Medical Center performed 1,574 procedures on the subject MRI and anticipate performing that same number in 2015 demonstrating demand for the project.*

*United Regional Medical Center operates the only full time PET/CT in Coffee and surrounding counties. Per the state of Tennessee website, there are only 31 full time PET/CT scanners in the state with Rutherford County being the next closest for the patients in our service area. In 2014 United Regional Medical Center performed 83 procedures on the subject PET/CT scanner and anticipate performing 65 in 2015.*

**11. Section C, Need, Item 3**

*Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.*

Review of HSDA records for the equipment types revealed patient origin is available on the HSDA website as of September 2015 for the calendar year 2014 HSDA Medical Equipment Registry reporting period. The amounts are noted in the table below. Given the applicant's 91 PET/CT procedures reported in 2014, please contact Alecia Craighead, Stat III at HSDA, 615-253-2782 for further clarification regarding the PET/CT patient origin amount shown in the table for Coffee County.

*The original table submitted reflected procedures performed in Coffee County. Following is the revised table reflecting patient origin:*

**September 29, 2015****1:31 pm**

<b>Year</b>	<b>Resident MRI Procedures At URM C 2014</b>	<b>Resident MRI Procedures at all Other MRI Providers in Coffee County 2014</b>	<b>Resident PET/CT Procedures at URM C 2014</b>	<b>Resident PET/CT Procedures at all Other PET/CT Providers in Coffee County 2014</b>
2012	1,027	551	55	0
2013	819	505	32	0
2014	850	532	32	0

**Resident MRI and PET/CT Utilization, 2014**

<b>Year</b>	<b>MRI Procedures</b>	<b>PET/CT Procedures</b>
Providers in Coffee County	1,382	32
Other Providers in TN	3,200	240
Total	4,582	272

**12. Section C, Need. Item 5 (Historical Utilization in PSA)**

*Please provide a snapshot of provider MRI utilization trends in Coffee County from 2011-2013 is shown below.*

Data is now available for the 2014 reporting period from the HSDA Equipment registry. Please complete the revised table below. For assistance, please contact Alecia Craighead, Stat III.

**MRI and PET/CT Provider Summary, Coffee County**

<b>Service</b>	<b># Units</b>	<b>2012 Scans</b>	<b>2013 Scans</b>	<b>2014 Scans</b>	<b>% Change '12-'14</b>
MRI-URMC	1	2,130	1,614	1,574	(26.1%)
MRI-MMC	1	705	632	734	4.11%
MRI-Harton	1	2,746	2,538	2,293	(16.50%)
Total-MRI	3	5,581	4,784	4,601	(17.56%)
PET-URMC	1	127	82	83	(34.6%)
PET-Harton	1-2/month	15	29	12	(20.00%)
Total PET		142	111	95	(33.1%)

**September 29, 2015****1:31 pm****14. Section C, Economic Feasibility, Items 1 (Project Costs Chart) and II (Funding)**Item I

*Please provide a letter from an architect or licensed contractor that identifies the scope of the construction work to be completed at the hospital for installation of the MRI and PET/CT units, the estimated costs, and the primary building and safety codes that apply.*

*There appears to be no costs included in Item A.7 of the chart for service and maintenance of the MRI and PET/CT units. Please clarify.*

*The applicant states that it plans to finance the project through a commercial loan. Please show the methodology used to determine the financing costs for Item C.3 of the chart.*

*Please identify the actual out of pocket cash outlay the applicant expects to need to fund the start-up costs of the project.*

*The responses are noted. Based on the equipment service costs identified for question 7.b and the estimated current value of the units in 7.c, please enter these amounts in Line A.7 of a revised Project Costs Chart and submit labeled as page 22-R.*

*Revised Project Costs Chart is attached.*

**15. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)**Both Charts

*Please provide charts for the hospital's MRI service and PET/CT service.*

*Please provide a breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services. HSDA's current template for same is included as an exhibit at the end of this questionnaire.*

*The requested Projected Data Charts for both the MRI service and the PET service appear to have been omitted from your 9/25/15 supplemental response. Please provide a chart for each service showing projected financial performance for the first 2 years of the project.*

*See attached projected data chart.*

**16. Section C, Economic Feasibility, Item 9**

*Please show the percentages by payor in Year 1 of the project by completing the table below.*

*The tables provided in your 8/25/15 supplemental responses are noted. Given the request for MRI and PET Projected Data Charts in the previous question, please ensure that the Total Gross Revenue amounts in the Projected Data Charts match those identified in your tables.*

*The projected data chart matches the amounts identified in the table.*

**PROJECTED DATA CHART - PET/CT and MRI**

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January

	2016	2017
A. Utilization Data		
Procedures	1,644	1,644
B. Revenue from Services to Patients		
1. Inpatient Services	\$0	\$0
2. Outpatient Services	\$2,976,319	\$2,976,319
3. Emergency Services	\$0	\$0
4. Other misc revenue (Specify)	\$0	\$0
Rent, vending, med records, cafeteria, etc.		
<b>Gross Operating Revenue</b>	<b>\$2,976,319</b>	<b>\$2,976,319</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$2,423,282	\$2,423,282
2. Provision for Charity Care	\$0	\$0
3. Provisions for Bad Debt	\$43,986	\$43,986
<b>Total Deductions</b>	<b>\$2,467,268</b>	<b>\$2,467,268</b>
<b>NET OPERATING REVENUE</b>	<b>\$509,051</b>	<b>\$509,051</b>
D. Operating Expenses		
1. Salaries and Wages and Benefits	\$49,320	\$49,320
2. Physician's Salaries and Wages and Benefits	\$0	\$1
3. Supplies	\$128,550	\$128,550
4. Taxes	\$0	\$0
5. Depreciation	\$0	\$0
6. Rent	\$0	\$0
7. Interest other than capital	\$0	\$0
8. Management Fees:	\$0	\$0
a. Fees to Affiliates	\$0	\$0
b. Fees to Non-Affiliates	\$0	\$0
9. Other Expenses (Specify) - Maint contracts, repairs	\$133,897	\$133,897
<b>Total Operating Expenses</b>	<b>\$311,767</b>	<b>\$311,768</b>
E. Other Revenue (Expenses) - Net (Specify)	\$0	\$0
<b>NET OPERATING INCOME / (LOSS)</b>	<b>\$197,284</b>	<b>\$197,283</b>
F. Capital Expenditures		
1. Retirement of principal	\$22,020	\$23,625
2. Interest	\$31,980	\$30,375
<b>Total Capital Expenditures</b>	<b>\$54,000</b>	<b>\$54,000</b>
<b>NET OPERATING INCOME / (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$143,284</b>	<b>\$143,283</b>



**REVISED PROJECT COSTS CHART****A. Construction and equipment acquired by purchase:**

1. Architectural and Engineering Fees
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees
3. Acquisition of Site
4. Preparation of Site \$8,000
5. Construction Costs \$165,000
6. Contingency Fund \$50,000
7. Fixed Equipment (not included in construction contract) \$468,897
8. Moveable Equipment (list all equipment over \$50,000)
9. Other (Specify)

**B. Acquisition by gift, donation, or lease:**

1. Facility (inclusive of building and land)
2. Building only
3. Land only
4. Equipment (Specify)
5. Other (Specify)

**C. Financing Costs and Fees:**

1. Interim Financing
2. Underwriting Costs
3. Reserve for One Year's Debt Service \$24,000
4. Other (Specify) - Repairs and Maintenance \$267,794

**D. Estimated Project Cost** \$983,691  
**(A + B + C)**

**E. CON Filing Fee** \$3,000

**F. Total Estimated Project Cost** \$986,691  
**(D + E)**

**September 29, 2015**

**1:31 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

NAME OF FACILITY: United Regional Medical Center

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 29th day of September, 2015, witness my hand at office in the County of Williamson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires October 24, 2017

HF-0043

Revised 7/02





# Supplemental #3 -ORIGINAL-

UNITED REGIONAL  
MEDICAL CENTER

CN1509-040

October 23, 2015

11:47 am

## SUPPLEMENTAL RESPONSES 3

## 1. Section C, Need, Item 6 (Projected Utilization)

Please confirm the projected MRI and PET utilization in the 9/30/15 Projected Data Charts by completing the table below. *Note: this table will revise the projected utilization amounts for MRI and PET that you provided in Item 13 of your 9/25/15 supplemental response (Supplemental 1).*

Please note that the numbers reflected in the chart below are consistent with the numbers provided in the projected data chart on 9/30/15.

Projected MRI &amp; PET Utilization

	Projected Year 1	Projected Year 2
0.2T MRI Unit	734	734
1.5T MRI Unit	1,574	1,574
MRI-Combined	2,308	2,308
PET	70	70

## 2. Section C, Economic Feasibility, Item 5

Please complete the table below to confirm that the projected average gross charges, deductions from charges and net charges in Year 1 are consistent with your 9/30/15 Projected Data Charts for the MRI and PET services.

Please note that the numbers reflected below are consistent with the numbers provided in the projected data chart on 9/30/15.

	MRI Service (Combined)	PET Service
Procedures	2,308	70
Total Gross Operating Revenue	\$4,020,698	\$234,301
Total Net Operating Revenue	\$631,652	\$78,280
Average Gross Charge	\$1,742	\$3,347
Average Net Charge	\$274	\$1,118

## 2. Section C, Economic Feasibility, Item 9 (Medicare/TennCare participation and Payor Mix for the MRI and PET imaging services)

Please complete the payor mix tables below to confirm that the amounts are consistent with your 9/30/15 Projected Data Charts for the MRI and PET services. *Note: the MRI table should be prepared using combined utilization and revenues of both*

**October 23, 2015****11:47 am**

*the open and closed units of the applicant's MRI service. These tables will replace the tables you provided in Item 17 of your 9/25/15 Supplemental response.*

**Please note that the numbers reflected below are consistent with the numbers provided in the projected data chart on 9/30/15.**

**Applicant's MRI Service Payor Mix (Open and Closed MRI Units), Year 1**

<b>Payor Source</b>	<b>Gross Revenue Year 1</b>	<b>% of Total Gross Revenue Year 1</b>	<b>Projected Procedures (Year 1)</b>	<b>Average Gross Charge per Procedure Year 1</b>
Medicare	\$1,656,218	41.2%	921	\$1,798.28
TennCare	\$802,777	20.0%	490	\$1,638.32
Managed care	\$1,252,573	31.2%	721	\$1,737.27
Commercial	\$84,501	2.1%	46	\$1,836.98
Self-Pay	\$129,803	3.2%	76	\$1,707.93
Other	\$94,826	2.3%	54	\$1,756.04
Total-MRI Service	\$4,020,698		2,308	\$1,742.07

**PET/CT Service Payor Mix, Year 1**

<b>Payor Source</b>	<b>Gross Revenue Year 1</b>	<b>% of Total Gross Revenue Year 1</b>		<b>Average Gross Charge per Procedure</b>
Medicare	\$165,803	70.8%	50 proc	\$3,316.06
TennCare	\$23,796	10.2%	7 proc	\$3,399.43
Managed care	\$31,135	13.3%	9 proc	\$3,459.44
Commercial	\$2,466	1.0%	1 proc	\$2,466.00
Self-Pay	\$11,101	4.7%	3 proc	\$3,700.33
Other	\$0	0.0%	0 proc	\$0.00
Total	\$234,301		70 proc	\$3,347.16

**October 23, 2015**

**11:47 am**

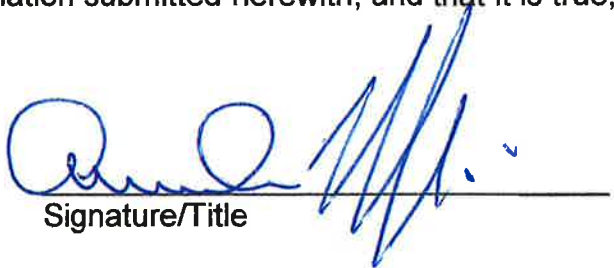
**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF WILLIAMSON

NAME OF FACILITY: UNITED REGIONAL MEDICAL CENER

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23rd day of October, 2015, witness my hand at office in the County of Williamson, State of Tennessee.

  
NOTARY PUBLIC

My commission expires October 24, 2017

HF-0043

Revised 7/02



# Additional Clarification

**ORIGINAL**

United Regional Medical  
Center

CN1509-040

**September 30, 2015**

**4:01 pm**

**ADDITIONAL CLARIFICATION OF SUPPLEMENTAL RESPONSES 2**

**1. Item 15 of Supplemental 15.**

Attached hereto are two Projected Data Charts for the MRI: one for the open-MRI and the other is a combined Projected Data Chart for the entire hospital service (both open and closed MRI). A separate Projected Data Chart is attached for the PET service.

**2. Project Cost Estimate.**

Attached hereto is a corrected Project Cost Estimate. The previous one provided with Supplemental Responses included the cost of the service contracts twice. The cost of the service contracts and maintenance are now included only once as Fixed Equipment.

**September 30, 2015****4:01 pm****PROJECTED DATA CHART - PET/CT**

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January

	2016	2017
A. Utilization Data		
Procedures	70	70
B. Revenue from Services to Patients		
1. Inpatient Services	\$0	\$0
2. Outpatient Services	\$234,301	\$234,301
3. Emergency Services	\$0	\$0
4. Other misc revenue (Specify)	\$0	\$0
Rent, vending, med records, cafeteria, etc.		
<b>Gross Operating Revenue</b>	<b>\$234,301</b>	<b>\$234,301</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$152,343	\$152,343
2. Provision for Charity Care	\$0	\$0
3. Provisions for Bad Debt	\$3,679	\$3,679
<b>Total Deductions</b>	<b>\$156,021</b>	<b>\$156,021</b>
<b>NET OPERATING REVENUE</b>	<b>\$78,280</b>	<b>\$78,280</b>
D. Operating Expenses		
1. Salaries and Wages and Benefits	\$2,100	\$2,100
2. Physician's Salaries and Wages and Benefits	\$0	\$0
3. Supplies	\$10,500	\$10,500
4. Taxes	\$0	\$0
5. Depreciation	\$0	\$0
6. Rent	\$0	\$0
7. Interest other than capital	\$0	\$0
8. Management Fees:		
a. Fees to Affiliates	\$0	\$0
b. Fees to Non-Affiliates	\$0	\$0
9. Other Expenses (Specify) - Maint agreement	\$109,884	\$109,884
<b>Total Operating Expenses</b>	<b>\$122,484</b>	<b>\$122,484</b>
E. Other Revenue (Expenses) - Net (Specify)	\$0	\$0
<b>NET OPERATING INCOME / (LOSS)</b>	<b>(\$44,204)</b>	<b>(\$44,204)</b>
F. Capital Expenditures		
1. Retirement of principal	\$22,020	\$23,625
2. Interest	\$31,980	\$30,375
<b>Total Capital Expenditures</b>	<b>\$54,000</b>	<b>\$54,000</b>
<b>NET OPERATING INCOME / (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>(\$98,204)</b>	<b>(\$98,204)</b>

**September 30, 2015****4:01 pm****PROJECTED DATA CHART - MRI Open**

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January

	2016	2017
A. Utilization Data		
Procedures	1,574	1,574
B. Revenue from Services to Patients		
1. Inpatient Services	\$0	\$0
2. Outpatient Services	\$2,742,018	\$2,742,018
3. Emergency Services	\$0	\$0
4. Other misc revenue (Specify)	\$0	\$0
Rent, vending, med records, cafeteria, etc.		
<b>Gross Operating Revenue</b>	<b>\$2,742,018</b>	<b>\$2,742,018</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$2,270,939	\$2,270,939
2. Provision for Charity Care	\$0	\$0
3. Provisions for Bad Debt	\$40,308	\$40,308
<b>Total Deductions</b>	<b>\$2,311,247</b>	<b>\$2,311,247</b>
<b>NET OPERATING REVENUE</b>	<b>\$430,771</b>	<b>\$430,771</b>
D. Operating Expenses		
1. Salaries and Wages and Benefits	\$47,220	\$47,220
2. Physician's Salaries and Wages and Benefits	\$0	\$1
3. Supplies	\$118,050	\$118,050
4. Taxes	\$0	\$0
5. Depreciation	\$0	\$0
6. Rent	\$0	\$0
7. Interest other than capital	\$0	\$0
8. Management Fees:		
a. Fees to Affiliates	\$0	\$0
b. Fees to Non-Affiliates	\$0	\$0
9. Other Expenses (Specify) - Maintenance	\$24,013	\$24,013
<b>Total Operating Expenses</b>	<b>\$189,283</b>	<b>\$189,284</b>
E. Other Revenue (Expenses) - Net (Specify)	\$0	\$0
<b>NET OPERATING INCOME / (LOSS)</b>	<b>\$241,488</b>	<b>\$241,487</b>
F. Capital Expenditures		
1. Retirement of principal	\$0	\$0
2. Interest	\$0	\$0
<b>Total Capital Expenditures</b>	<b>\$0</b>	<b>\$0</b>
<b>NET OPERATING INCOME / (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$241,488</b>	<b>\$241,487</b>



**September 30, 2015****4:01 pm****PROJECTED DATA CHART - MRI Closed**

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January

	2016	2017
A. Utilization Data		
Procedures	734	734
B. Revenue from Services to Patients		
1. Inpatient Services	\$0	\$0
2. Outpatient Services	\$1,278,679	\$1,278,679
3. Emergency Services	\$0	\$0
4. Other misc revenue (Specify)	\$0	\$0
Rent, vending, med records, cafeteria, etc.		
<b>Gross Operating Revenue</b>	<b>\$1,278,679</b>	<b>\$1,278,679</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$1,059,002	\$1,059,002
2. Provision for Charity Care	\$0	\$0
3. Provisions for Bad Debt	\$18,797	\$18,797
<b>Total Deductions</b>	<b>\$1,077,799</b>	<b>\$1,077,799</b>
<b>NET OPERATING REVENUE</b>	<b>\$200,881</b>	<b>\$200,881</b>
D. Operating Expenses		
1. Salaries and Wages and Benefits	\$22,020	\$22,020
2. Physician's Salaries and Wages and Benefits	\$0	\$1
3. Supplies	\$55,050	\$55,050
4. Taxes	\$0	\$0
5. Depreciation	\$0	\$0
6. Rent	\$237,981	\$237,981
7. Interest other than capital	\$0	\$0
8. Management Fees:		
a. Fees to Affiliates	\$0	\$0
b. Fees to Non-Affiliates	\$0	\$0
9. Other Expenses (Specify) - Maint Contract	\$108,675	\$108,675
<b>Total Operating Expenses</b>	<b>\$423,726</b>	<b>\$423,727</b>
E. Other Revenue (Expenses) - Net (Specify)	\$0	\$0
<b>NET OPERATING INCOME / (LOSS)</b>	<b>(\$222,845)</b>	<b>(\$222,846)</b>
F. Capital Expenditures		
1. Retirement of principal	\$0	\$0
2. Interest	\$0	\$0
<b>Total Capital Expenditures</b>	<b>\$0</b>	<b>\$0</b>
<b>NET OPERATING INCOME / (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>(\$222,845)</b>	<b>(\$222,846)</b>

**September 30, 2015****4:01 pm****PROJECTED DATA CHART - MRI Open and Closed**

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January

	2016	2017
A. Utilization Data		
Procedures	2,308	2,308
B. Revenue from Services to Patients		
1. Inpatient Services	\$0	\$0
2. Outpatient Services	\$4,020,698	\$4,020,698
3. Emergency Services	\$0	\$0
4. Other misc revenue (Specify)	\$0	\$0
Rent, vending, med records, cafeteria, etc.		
<b>Gross Operating Revenue</b>	<b>\$4,020,698</b>	<b>\$4,020,698</b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$3,329,942	\$3,329,942
2. Provision for Charity Care	\$0	\$0
3. Provisions for Bad Debt	\$59,104	\$59,104
<b>Total Deductions</b>	<b>\$3,389,046</b>	<b>\$3,389,046</b>
<b>NET OPERATING REVENUE</b>	<b>\$631,652</b>	<b>\$631,652</b>
D. Operating Expenses		
1. Salaries and Wages and Benefits	\$69,240	\$69,240
2. Physician's Salaries and Wages and Benefits	\$0	\$2
3. Supplies	\$173,100	\$173,100
4. Taxes	\$0	\$0
5. Depreciation	\$0	\$0
6. Rent	\$237,981	\$237,981
7. Interest other than capital	\$0	\$0
8. Management Fees:		
a. Fees to Affiliates	\$0	\$0
b. Fees to Non-Affiliates	\$0	\$0
9. Other Expenses (Specify) - Maint contracts, repairs	\$133,897	\$133,897
<b>Total Operating Expenses</b>	<b>\$614,218</b>	<b>\$614,220</b>
E. Other Revenue (Expenses) - Net (Specify)	\$0	\$0
<b>NET OPERATING INCOME / (LOSS)</b>	<b>\$17,434</b>	<b>\$17,432</b>
F. Capital Expenditures		
1. Retirement of principal	\$22,020	\$23,625
2. Interest	\$31,980	\$30,375
<b>Total Capital Expenditures</b>	<b>\$54,000</b>	<b>\$54,000</b>
<b>NET OPERATING INCOME / (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b>(\$36,566)</b>	<b>(\$36,568)</b>

**September 30, 2015****4:01 pm****REVISED PROJECT COSTS CHART**

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	
3.	Acquisition of Site	
4.	Preparation of Site	\$8,000
5.	Construction Costs	\$165,000
6.	Contingency Fund	\$50,000
7.	Fixed Equipment (not included in construction contract)	\$468,897
8.	Moveable Equipment (list all equipment over \$50,000)	
9.	Other (Specify)	
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify)	
C. Financing Costs and Fees:		
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	\$24,000
4.	Other (Specify)	
D. Estimated Project Cost (A + B + C)		\$715,897
E. CON Filing Fee		\$3,000
F. Total Estimated Project Cost (D + E)		\$718,897

**September 30, 2015**

**4:01 pm**


**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF COFFEE

NAME OF FACILITY: United Regional Medical Center

I, ASHOKE MUKHERJI, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of September, 2015, witness my hand at office in the County of Coffee, State of Tennessee.

  
NOTARY PUBLIC

My commission expires September 12, 2017.

HF-0043

Revised 7/02

